

## DETOXIFYING THE POISONED CHALICE

*Do the new social responsibility policies for Japanese corporate operations  
and government development assistance in other countries represent  
progress after a history of controversy?*

by

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### **List of Acronyms**

ALPAC - Alberta Pacific Forest Industries Inc.  
CAMPAs - Compensatory Afforestation Fund Management and Planning Authority  
CAS - Country Assistance Strategy (World Bank)  
CBFA - Canadian Boreal Forest Agreement  
CFM - Community Forest Management (India)  
CSR – Corporate Social Responsibility  
DFID – Department for International Development (UK)  
DMI - Daishowa-Marubeni International  
ESG - Environmental Support Group  
FDI - Foreign Direct Investment  
FOE – Friends of the Earth  
FPC - Forest Protection Committee (India)  
FRA - Forest Rights Act (India)  
GDP – Gross Domestic Product  
JACSES - Japan Center for a Sustainable Environment and Society  
JBIC – Japanese Bank of International Cooperation  
JFM – Joint Forest Management (India)  
JICA – Japan International Cooperation Agency  
LAW-E - Legal Action for Wildlife and Environment  
KIOCL - Kudremukh Iron Ore Corporation Ltd.  
MMS - Mitsui Mining and Smelting Company  
MOFA – Ministry of Foreign Affairs (Japan)  
NGO – Non-Governmental Organization  
NMDC - National Mineral Development Corporation (India)  
NREGA - National Rural Employment Guarantee Act (India)  
N.W.T. - Northwest Territories (of Canada)  
ODA – Overseas Development Assistance  
OFSDP – Orissa Forestry Sector Development Project

PCB - polychlorinated biphenyl

PFM - Participatory Forest Management (India)

REDD - United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries

SLAPP - Strategic Lawsuit Against Public Participation

UNESCO - United Nations Educational, Scientific and Cultural Organization

VSS - Vana Samrakshna Samithi (a type of village forest protection committee in India)

## **Abstract**

While Corporate Social Responsibility (CSR) departments have become established in Japanese corporate culture since 2003, there has been a lack of study on how much progress has been made. In addition, important new principles have been established with the Japanese ODA Charter of 2003. The present study attempts to shed light on how social responsibility has progressed in Japanese companies and ODA, and whether the progress can be said to represent a benchmark for other countries to follow.

The history of Japan cleaning up its home islands since the Minamata disaster and associated pollution problems shows that remarkable progress has occurred in the past. This history is recounted along with 3 recent case studies. These are the lawsuit launched by Daishowa-Marubeni International (DMI) against the Friends of the Lubicon in Canada, the case of Mitsui's attempt to secure rights to mine inside Kudremukh National Park in India, and the JBIC loan for the Orissa Forestry Sector Development Project in India. In each of these cases, an attempt is made to ascertain progress at the present time. The title refers to the need to establish mutual trust following conflicts. I refer to my experience as an environmental journalist over 2 decades, which led me to cover several of these issues at the time they were occurring.

It is found that while DMI appears to have made significant progress in terms of CSR implementation, significant problems exist in the other two cases, particularly in terms of transparency. The deeper causes of these problems are analyzed and found to be rooted in the continuing promotion of neoclassical economic principles in economic policy, both in developed and developing countries. Emerging new economic paradigms that may provide a solution are discussed.

## **Chapter One: The Chalice and the Poison**

### **A personal introduction**

They say a writer has to set the scene, but the things people notice depend on what matters to them. For myself, the morning sun is sparkling brightly through the top branches of a tall tree outside of my window, with a clear sky behind it. This makes me smile, for a clear sky is a special occasion during the east Asian monsoon on this mountain side in Kyushu, Japan. Earlier this week, there was continual heavy rain and dense fog. I am not sure of the species of the tree, but it has small leaves that cast a moving dappled shadow on the carpet of my room in the university residence. There is a very slight wind, and I can discern two or three different types of bird singing their ancient hymn to the morning.

I am an environmental journalist, and the natural world is something I notice. I am aware that there are some people who will awake as the line dividing night and day races around the world, who are quite different. They will wake up and even before they have drunk their coffee will switch on the computer to check the financial market news. Should they buy dollars or sell yen? Should they speculate that a promising computer company's share price will rise over the next few months, giving a chance to make a nice profit if they are smart enough to buy now? What about the red-hot mining sector in India? Is there a chance to make some money there? The things we think about first thing in the morning show what is sacred to us.

In the history of the western civilization, the most sacred occasions are those in which a chalice is used. It is a ceremonial cup used to serve a drink, usually in religious ceremonies such as the Catholic Mass, where the chalice holds wine that mysteriously becomes the blood of Jesus Christ. A "poisoned chalice" is one in which the sacred drink has become toxic, and again this depends to a great extent on the type of drink one is used to.

To a person or government which views the natural world primarily as a way to make money, the viewpoint of an environmental journalist can seem extreme and needing to be suppressed. In Canada where my first writing was published in the late 1980s, the government has now deemed my profession so dangerous that it has effectively banned us from interviewing government scientists (The Vancouver Sun, 2008). Most likely they are worried that we may write uncomfortable things about the Athabasca oil sands project from which they derive their revenue. But if as a result I am a de facto exile



from my country, unable to work there as I depend on access to scientists, then I should consider myself a lucky one. Solzhenitsyn had a worse time of it.

To indigenous people worldwide, the viewpoint that the natural world exists to be exploited for profit is a poison in their sacred chalice of belief. However, in our time the famous Cree prophecy appears to be close to coming true:

Only when the last tree has been cut down  
Only when the last river has been poisoned  
Only when the last fish has been caught  
Only then will you find that money cannot be eaten (Memorable-  
Quotes.com, n.d.)

For me, the moment of realization was when the Grand Banks fishery off the east coast of Canada collapsed in the early 1990s (Greenpeace International, n.d.). The disaster was surprisingly rapid, and a major source of fish and livelihood for Canada over several centuries was gone, just gone, destroyed in a few decades by modern industrial fishing. As I write, it has still not recovered, and fishermen are resorting to what is called today “fishing down the food chain” for invertebrates like crab.

At the time of the disaster, I had just started being published as an environmental journalist at a national level in Canada, and realized that the times were now so dangerous that I had to continue even if it was difficult at times. It became my sacred duty in the chalice of my own beliefs as someone with the ability to deal with editors, to participate in tackling what was clearly now an existential threat to humanity. And so I have, for over two decades now in Canada, India and Japan, and it has been hard. Still, I would not have it any other way, and the experience of waking up in the forest in the eastern Rockies without a tent, and the first snow of early winter taking my breath away with its beauty is not one I would have missed. I was returning from the logging protests on the Pacific coast to the resort town of Banff where I had a chance of getting a job for the winter, with my interview tapes, camera and one of the world’s first notebook computers in my pack. The article was published in a national magazine, and I still remember when the editor called me at the hostel I found to stay in and told me “I just want you to know, this is very good indeed”. I put down the phone with tears in my eyes, so much intense experience had gone into it.

By the standards of mainstream Canadian society, I am certainly a failure, for I was unable to amass the nice house and late-model car that would mark me as a “success”, and now cannot even work in that country in my chosen field, due to the action of my government. And yet in my personal story, somehow the challenge of our time is also mirrored. It is about what is sacred for our mercantile culture, with the neoclassical economics that underpins its dealings. This system of economics, which measures the ability of capital to produce goods, has become the default model by which societies are valued.

### **Rediscovering the narrative voice**

We live in an age when science and economics must rediscover the value of humanity at the individual level. The roots of the problem are seen in present-day academia, where a school of thought predominates that unless a thesis follows an extremely strict predefined style, its contents are not worthy of consideration. Writing on research in one of the most human disciplines, that of nursing, Sandelowski (2000) says that a “tyranny of method” has come to predominate and that it is therefore necessary to rediscover qualitative description. Sandelowski points out that descriptive research has come to be regarded as the crudest and lowest-level type of research, given the sophisticated research tools available. Sandelowski goes on to say that this situation needs to be remedied and describes qualitative description as “a method that researchers can claim unashamedly without resorting to methodological acrobatics” (pp. 334-5).

Such a “tyranny of method” also represents a threat to the success of conservation biology, the new scientific discipline that has emerged to tackle the ongoing crisis of loss of habitat and species. Conservation biology stands at a critical crossroads regarding trust, and while scientific studies are important in providing guidance for policy making, in the end conservation initiatives succeed or fail according to the support they receive from local people. Many crisis areas are away from urban centers in regions populated by native communities which have suffered under western colonialism. Thus, there is a problem of trust that arises when western-educated conservation biologists attempt to dictate terms of land management in such regions as it tends to be seen as a further attempt to denigrate the native culture as inferior. The need to include aboriginal people in decision-making and management is addressed in more recent texts on conservation biology such as Primack (2010, pp. 477-492), in contrast to earlier texts which tended to emphasize scientific methodology. In terms of successful application, the Great Bear Rainforest initiative in British Columbia, Canada,

addressed the problem by giving aboriginal people legal standing as experts (Howlett, Rayner, & Tollefson, 2009). In this regard, conservation biologists are learning that traditional knowledge accumulated by people who have dwelt in a region for millennia has in some ways a greater validity than studies by scientists that are often carried out with tight limits of time and budget.

Thus, as the present study involves policy issues that affect the success of conservation biology in regions of Canada and India with many indigenous people, it is not wise to hide behind the assumed superiority of an impersonal style of writing that can easily be interpreted as looking down on these ancient cultures with their stories. Nor will I attempt to justify myself by virtue of my command of esoteric methodologies and statistics, or by carrying out the “right” style of “data collection” to use the dehumanizing jargon in vogue in present-day academia. Rather, by writing in a first-person narrative style, I will try to give a sense of who I am, to give some idea of why I may have seen things in a certain way to those who may disagree with my conclusions. This is in keeping with the direction that conservation biology must take if it is to succeed. The oral traditions of native cultures transfer knowledge in stories, and the central role of personal narrative is recognized by progressive anthropologists such as Preston (2002) in his study of the worldview of the Cree in Quebec, Canada. Conservation biology must recognize and incorporate such human narrative, or risk becoming dehumanized and capable of insensitive actions in the course of conservation initiatives that alienate precisely those communities that are needed for such initiatives to succeed.

This study includes an element of historical review, and the central role of personal narrative has long been recognized by historians. However, in this field also Roberts (1996) discusses how many historians have a viewpoint that only empirical studies matter, and dismiss the validity of stories. In arguing for the validity of narrative history, Roberts reminds us that personal stories are an indispensable element of academic inquiry. In another vein, Louch (1969) also points out the vital role of narrative in history, stating that:

... in narrative we do describe and presuppose (if you will) a world of things that endure through change. We do not verify such claims, but we can illustrate them by much that is common in our experience, simply by reference to the life stories of mayflies, man, and mountains. This is to claim that we directly experience change, and that such experience simply

demands concepts like substance, permanence, and persistence. (Louch, 1969, p. 56)

Further support for the role of narrative in history comes from Dray (1971) who also notes that there has been strong opposition to this view from historians who believe that “narratives, by their very nature, preclude satisfactory explanation of the events which occur in them, and that they necessarily oversimplify the past in characteristic ways” (p. 153).

In this vein, while it is necessary to adopt a first-person narrative style in the present work, I will attempt to do so judiciously. It would equally be a mistake to dismiss the validity of other styles of research and discussion, especially in scientific studies. However, the problems that I will be addressing stem precisely from this trend towards dehumanization in science and also economics and therefore it is appropriate that the style itself be as human as possible. This can only be achieved by recognizing that we as observers are not separate from that which we observe. With this in mind, let us consider the interaction of the dehumanized economic system underlying the present consumerist age, with those tribal societies that are so important to the success of conservation initiatives.

### **Modern economics and tribal societies**

Societies throughout recorded history have engaged in trade, and the major religions set rules that govern it, such as with the charging of interest. Trade has always been an ingredient in the sacred chalice of human civilizations. Neoclassical economics becomes a poison in the chalice when it causes trade to be the sole purpose of life, pursued with such fervor that it threatens the delicate planetary ecosystem upon which our existence as human beings is based. As with any religious or philosophical system, problems occur when it becomes extremism, denying the validity of other worldviews outside of its own terms of reference. It is not surprising that some of the worst excesses in recent years have tended to be in the suppression, violent at times, of indigenous people worldwide whose concept of the sacred tends to be in opposition to neoclassical economic orthodoxy.

In India, this mindset, literally excluding societies outside of the international monetary system as being “non-societies” which need to be “developed” from their “backwards” condition, has combined with longstanding societal prejudice towards its 84 million tribal people. These people, known as Adivasis, are outside of the Hindu caste system

and have long suffered discrimination. It is a perfect storm, with economic theory giving justification to the foreign capital that rushes in to “develop” the rich lands where they have farmed and hunted for millennia as it does not produce goods traded in the international monetary system. When it is used for mining it becomes valuable, and those brutally displaced from their lands are being “improved” as they were in “poverty” before. The World Bank’s present measure of poverty is someone who earns less than \$1.25 per day (The World Bank, 2008) and thus someone who is producing food for his family on the same land as his ancestors and has a home, but does not trade that food, is considered a wretch.

As similar disasters across the world have become increasingly hard to ignore, there has been a move to mitigate the worst excesses of these types of projects, in the concept of “corporate social responsibility” or CSR. However, there is a gap of trust when companies try to implement CSR policies, as what they view as their duty to make profits for their shareholders, known as “fiduciary responsibility”, is seen as more important. The central tenets of neoclassical economics upon which they operate too often remain unchallenged.

In India, displacement of Adivasis has led to a civil war as many of the dispossessed have now joined a Maoist army that controls the forest in many places. As the war grinds on, a stark choice looms. Either companies must resign themselves to the need for conducting their operations with hired thugs and murky dealings with local police to deal with “problems” with locally affected people, or they must review in some way their basic *raison d’être*. The prognosis does not seem good, given the present situation in India. Vedanta, having been denied by the Indian Environment Ministry the right to mine for bauxite in the Niyamgiri hills in the state of Orissa, displacing the Dongria Kondh Adivasis, immediately filed a lawsuit challenging the cancellation (Bisoi, 2011). In this, they faithfully followed the neoclassical economic dogma upon which their accounting is based. The mountains have no intrinsic value except in the extent that bauxite they contain can be rapidly extracted to increase India’s production of cheap aluminum goods. They also destroyed any chance of any attempts at CSR implementation being trusted in the foreseeable future, and worsened the prospects of success for peace efforts.

### **A question about Japanese CSR**

I have been resident in Japan for more than a decade, having first come here in the mid-

1990s to interview Mitsubishi about a controversial pulp and paper mill in Alberta province, Canada. The mill had become the focus of environmental activists over dioxin effluent in the great northern Mackenzie river system that flows north to the Arctic Ocean. The 1980s and 1990s were troubled times for Japanese corporations operating abroad, finding themselves in conflict with environmental NGOs and accused of human rights abuses as they rushed to find resources to fuel the overheating Japanese economy. As an environmental journalist, I was a witness to this difficult period of history and wrote about some cases, but in recent years a question has been forming in my mind through my observations as an ordinary person working in this country. I provided technical editing services to companies, and began to be aware that many of them were implementing corporate social responsibility programs, with strong focus on the environment.

I also noticed that the country had changed in obvious ways, and was no longer a place where, as in the 1980s, foreign residents were said to furnish their apartments with nearly-new furniture and appliances discarded in alleyways by Japanese people. Instead, “recycle shops” were becoming common, selling all manner of used goods. Rather than a de-rigueur culture of only the newest and fanciest being acceptable, even the fashion industry seems to be reflecting a new sense of normality, with jeans being sold with holes already in them and new shoes in shops painted to appear scuffed and used. Japanese automobiles, which had already become well-regarded for reliability, were now becoming symbols of environmentally conscious frugality with fuel-efficient hybrid gasoline-electric drivetrains pioneered here and marketed worldwide. Something was clearly happening, and I began to wonder if Japanese companies were indeed now becoming leaders in CSR, having leapfrogged the rest of the world?

This is the question I hope to cast a cross-light on, and it is not apt to be easily answered. Nonetheless, it is important that an attempt be made, and as an environmental journalist I always believed in drawing attention to potential solutions to difficult problems when I became aware of them. If Japanese corporate practices have indeed become world-leading or are in the process of so doing, then the story should be told. While 2003 has come to be regarded as the starting year for corporate social responsibility (CSR) in Japan (Fukukawa & Teramoto, 2009) as well as the year in which the new Japanese ODA charter was implemented (Kawai & Takagi, 2004), there has been little discussion of whether trust is being rebuilt in other countries. I aim to address this gap by investigating how social responsibility policy has advanced in several controversial cases involving Japanese companies and government ODA, and

how it is being perceived. Such a first-person account has the potential to cast a cross-light on this critically important period of history that may give insight to scholars and others who may be interested.

If the new policies are indeed being well-received in other countries, particularly by human rights and environmental NGOs, then Japanese policy may be said to have leap-frogged from being a target of international criticism to being a potential world leader. To assess this, one critical measure is transparency and the willingness of companies and government agencies to respond to questions in an open and forthright way. Another is to ask NGOs themselves what their impressions are. I aim to carry out such an assessment using interviews and questionnaires to the various parties. In this way, I hope to shed light on the extent to which the poisoned chalice of trust in social responsibility in Japanese corporate CSR and international ODA projects abroad following the bitter confrontations of the 1990s is being detoxified by the new policies, and what remains to be done.

### **Outline of this study**

I will start by focusing on an aspect of Japanese history that is poorly understood and appreciated in the west, by reviewing the major environmental disasters in Japan over the last century. I will explain the changes in law and practice that followed them, leading the country to clean up its own environment in a most dramatic fashion. In this way, I will show why the negative stereotypes so often entertained abroad are in fact far from the truth. As the first country in Asia to industrialize, it has addressed the same problems as the west in a pragmatic way, leading to air that is now relatively clean even in the metropolises of Osaka and Tokyo, and good water quality in most rivers where herons, egrets and cormorants are now found even in urban waterways.

To place present policy shifts in context, it is necessary to understand the reason for the criticism that Japanese companies received prior to its implementation. In the course of my work, I found myself writing about two particularly troubling cases in Canada and India that left me deeply unsettled, as I had difficulty understanding the mindset that could lead to such behavior. I have always tried to believe the best of my fellow man, and yet these events occurred. The first was the persecution by the Japanese pulp and paper company Daishowa of the Lubicon Cree, a Canadian First Nation, through what McKenzie (2001) has described as a “Strategic Lawsuit Against Public Participation”, an abuse of the Canadian legal system. The second was the planned takeover in 2002 by

a Japanese consortium of Kudremukh Iron Ore Corporation Ltd. (KIOCL), with the intention of securing long-term mining rights *inside* Kudremukh National Park in India.

As an environmental journalist, while I was always writing from the viewpoint of environmental conservation, I felt that it was most important to understand the truth in any given case, and that this can only be achieved by speaking to both sides. At times this can be an awkward position to be in, as when I was covering the Clayoquot Sound logging protests in Canada in the early 1990s. I camped out with the protesters at one blockade of a logging road, but then found my relationship with them changed when I crossed the blockade line to talk to the loggers and police who had come to work. Yet it had to be done, and I tried to spend time talking to the forestry company experts and government scientists to understand the different perspectives on the issue.

In both the cases mentioned above, the Japanese companies lost after lengthy and bitter court battles with NGOs which progressed to the Supreme Courts of both Canada and India. I will contact the companies involved in these two cases and allow them to explain what it is they have learned from the experience. In the Canadian case this is Daishowa-Marubeni, and two companies in the India case I interviewed are Mitsui and Nisshoiwai. Again, this is an uncomfortable yet necessary part of finding the truth. The companies will be aware of the role I played in writing about these highly polarized issues and may not respond. If the companies have truly changed their ways however, this is also a story that must be told.

In recent years there has been a tendency to dismiss scholarly discussion in the humanities as irrelevant to a world where manufacturing efficiency and the cruel dictates of the market are seen as the only important things. However, understanding the complexities of a foreign culture is where scholarly review comes into its own, and nowhere is this as true as the complex and ancient societies of East Asia. While I am able to speak, read and write Japanese to a level where I can live here, this only corresponds to sixth-year elementary school where I would not be considered a particularly progressive student. Very few native English speakers are able to reach high-school level in this difficult language with its complicated grammar, over two thousand Chinese characters and three phonetic scripts including the Roman alphabet. Generally these are language specialists who study Japanese in university.

Where there is an urgent need to understand a crucial development in a culture like this one, the scholarly practice known as the *literature review* comes into its own. I cannot



take the time to learn Japanese language to the level needed, but as I write in the rainy season here in Kyushu in 2011, specialist scholars have already published articles on the advances in Japanese CSR since 2003. I will attempt to review and synthesize what is available as succinctly as I can, and try to interpret what I find in light of my experience as a journalist who faced Japanese companies on these difficult issues in the years leading up to the change. Rather than a separate chapter that claims to be an exhaustive review, I will try and refer to the most significant papers that I have found at appropriate points in the narrative.

At the same time as the new CSR guidelines were enacted to try to clean up the unfavorable image of Japanese companies operating abroad, new ODA guidelines were also introduced in 2003. Japanese ODA had long been criticized by NGOs in Japan and internationally for funding projects with negative environmental and social impacts. Groups such as Friends of the Earth Japan cautiously welcomed the new guidelines while continuing to press for improvements. However, Greenpeace International and other NGOs continued to be critical of what they saw as Japan's policy of preferentially giving ODA to countries that would support their efforts to resume commercial whaling, and allow whaling inside the Southern Ocean Sanctuary.

Although I lived in Japan, I had not myself written about the whaling issue, seeing it as well-covered by the international media. However, in covering the attempt by Japanese trading companies to mine inside Kudremukh Park in India I had written about the need to protect wildlife sanctuaries as the last citadel in a threatened world (Carter, 2002). The ability to completely disregard these places in the pursuit of profit seemed to me to be a deadly poison in the chalice of belief in the sacredness of the natural world. The cases were similar, and represented a blunt clash of philosophies, one based on neoclassical economics, and the other on a rediscovery of a lost sacred chalice by the environmental movement of our time, whose contents had been taken for granted by the older tribal cultures in which our race has lived for most of its history.

An example of this type of clash related to Japanese ODA is the JBIC-funded Orissa Forestry Development Project, for which funding was applied in 1998 but was finally implemented in 2006. It had come under criticism from Japanese and Indian NGOs at that time as unnecessary, burdening the state with excessive debt, and ignoring the protests of local communities who had not been consulted (Press Trust of India, 2006). It is scarcely possible to imagine a more volatile and sensitive situation for the massive JBIC-funded project to be starting in, against such local opposition. India's long Maoist

insurgency, fueled by conflicts over mining and rapid industrialization promoted by the World Bank, has been particularly intense in Orissa and there is a considerable danger that the loan may have a destabilizing effect and worsen the war.

Although not well reported in Japan or North America, this long-running civil conflict has taken a vicious turn since 2007, with a number of incidents that caused large-scale casualties. These have included bomb attacks on trains and firefights between security forces and Maoists that have left dozens dead. When writing about the large-scale coal mining expansion in neighboring Jharkhand State since 1997, I myself witnessed the worsening of tensions that led up to Operation Green Hunt, a large-scale deployment of Indian security forces against the Maoist insurgents. The conflict is an environmental war in one way, with its roots in mass displacements of Adivasis to make way for mining projects, who then provide ready recruits for the Maoists.

As this project has not been independently analyzed in the field since its launch, and as such assessment is vital against the background of the worsening conflict, I originally intended to do so by traveling to the region to make a field study of the case, but the Orissa Forest Department refused to give a clearance letter for a research visa. Therefore, I will attempt to make an assessment of the present situation by reviewing published sources and also by interviews by phone and email. The implications in terms of transparency when an aid recipient refuses a Japanese university permission to examine a Japanese loan will also be discussed.

The final task is to try and answer the question of whether trust is being developed in the new Japanese CSR and ODA policies. The present situation regarding transparency and responses of civil society will be discussed, and an assessment made of whether Japanese policy can indeed now be regarded as a model for others to follow. The structural changes to corporate governance and international economic policy suggested by Korten (2010) and others in order to avoid environmental and social catastrophe will be discussed. An assessment will be offered of whether present Japanese practice can be regarded as a step in this direction. I will try and summarize in a way that makes it easy to grasp, as this is an age where the pressure of time makes it hard to read in depth.

Perhaps it is in the concept of time that the clash of cultures becomes most important. In the business and technologically oriented society that has become mainstream worldwide, the second and the minute are considered sacred. Time is said to be money. However, this concept is literally a poison in the chalice of older tribal cultures whose

idea of time is formed by the change of seasons. The harsh reality of what modern urban society considers sacred was also brought home in the hours after the Great Tohoku Earthquake and resulting tsunami hit these islands in March 2011. As the thousands of Japanese who had been killed were beginning their journey beyond this world, and even before the tsunami had crossed the Pacific ocean, the business media was anxiously broadcasting the news it considered important. Variations of one headline were echoed across the world: “Japan quake and tsunami causes stock market drop” (thefirstpost.co.uk, 2011) The short, blunt articles had no mention of the human tragedy.

So it is that I will attempt the difficult task of reconciling what seem to be diametrically opposed viewpoints. In the process of detoxifying this poisoned chalice, it is not enough to criticize the excesses of our industrial culture, or to hold up indigenous societies as inherently superior. It is more a process of distilling a new concept of the sacred whereby technology and business continue, but including key elements of the worldview of societies which live close to the Earth. The poisoned drink in our chalice that causes our race to drive one species after another to extinction will also kill us as the global ecosystem collapses.

To begin, it is helpful to understand that industrial societies have risen to such challenges in the past. In the next chapter, I will describe how a series of disasters over a period of a century led Japan to become one of the cleanest developed countries in the world despite bitter opposition from the corporate sector.

## **Chapter Two: The Cleanup of Japan's Home Islands**

*Japan's environmental success story despite implacable opposition from the corporate sector*

### **Introduction**

Japan's path from the "economic miracle" and associated pollution of the post-war reconstruction to the clean environment of today was not an easy one. In the various accounts that have been written such as by Tsuru (2000) the resistance of Japanese companies to accepting responsibility for even the most tragic of pollution cases is made clear. In this most community-minded of countries with its strong Confucianist tradition and delicate visions of nature in its traditional art, this attitude to what Tsuru refers to as *kogai*, (a Japanese word for environmental pollution that means literally "public harm") strikes a jarring note. He recounts four major *kogai* lawsuits in the post-war period that were key to the issue of industrial pollution being addressed so successfully, despite such resistance. This story tells much about the contents of the sacred chalices of different segments of the global community today, and how the issues can be addressed.

Events on the island of Kyushu where I am living are central to the story. Climbing on my mountain bike away from the ocean in the town of Beppu in Oita Prefecture on the east side of the island, a spectacular view unfolds that is a testimony to the advances that have been made. By the time I reach the viewpoint by the broadcasting antennas above Ritsumeikan Asia Pacific University at an altitude of 500m, I can see the full expanse of Beppu Bay. Just to one side of the three antenna towers is a small tea shop called, appropriately, *Hikari no Uta*, or Song of the Light.

On a fine day, not guaranteed at any time of the year here with the low clouds that move in from the central mountains, it is possible to see the twin orange smokestacks of the Sunflower Ferry that links Beppu to Osaka. Before that, steam can be seen rising from the many hot springs of this resort town, a popular tourist destination. The sea is clean and sparkling, and locally caught fish are available in a shop next to a harbor where small fishing boats are docked.

To the south, the prefectural capital Oita City is visible beyond the triangular silhouette of Mount Takasaki that rises abruptly from the ocean and is a sanctuary for Japanese macaque monkeys. The city has a line of smokestacks that line the shore, some painted

with red and white stripes as if they were taken from a children's picture book. The city's steel and chemical plants are still important to the local economy, although there has been a shift to manufacturing industry in recent years.

The history of Oita City in Japan's traumatic transition to a clean environment despite the presence of such industries is told in a gripping book by the bilingual scholar Jeffrey Broadbent (1999). He describes how 200 fishermen sailed their boats along the shore on a December day in 1972 to confront the prefectural governor over plans to expand Oita's heavy industry base which would have had negative impacts on both water and air quality. This protest, a courageous challenge at the time to traditional authority, succeeded in getting the plans revised. When I eat local fish, which include migratory mackerel and horse mackerel caught by pole and line and locally cultivated yellowtail (Oita Statistics and Information Center, 2005) and have confidence that they will also make me healthy, I certainly owe those fishermen a debt.

### **Chisso Corporation and Minamata Disease**

However, it was in the town of Minamata in Kumamoto Prefecture on the west coast of this island of Kyushu, that fish from the ocean took on a very different meaning for a generation of people due to the effects of mercury contamination. As the Harvard scholar Timothy S. George describes it in his definitive history of the case (2002), the leader of the effort to attract the Shin Nihon Chisso Corporation chemical factory to the town early in the 20<sup>th</sup> century received an award for his efforts in 1955 although the first signs had already begun to appear that all was not well. Originally a fertilizer company, Chisso produced chemicals such as acetaldehyde that were important in making the PVC plastics used in film, electrical wire and other products. Researchers at Kumamoto University were eventually to discover the cause of the mercury contamination in the acetaldehyde manufacturing process, where it became converted into a dangerous organic form.

In this fear of environmental contamination of unknown scope, there is a prescient echo of the drama being played out in Fukushima Prefecture on the other side of Japan as I write resulting from the nuclear disaster and radioactive contamination of a wide area following the March 2011 tsunami. The similarity is striking, for small towns across this country have also regarded nuclear plants as a source of prosperity as Chisso was regarded as the lifeblood of the town of Minamata. When an accident occurs, perhaps it is human nature to deny that the town's source of income can be responsible.

The residents of Fukushima were quickly evacuated after the tsunami hit, and have the best medical treatment the world can offer. The hazards of radiation exposure are well understood today. This was not the case for the residents of Minamata as they began to experience the effects of mercury poisoning from eating contaminated fish. George vividly describes the symptoms of the early victims – numbness, shaking of their hands, and tunnel vision. Signs that Chisso's factory waste was causing problems had been apparent since 1951, with dead fish and seabirds found near the outflow point into the ocean.

The fact that Chisso failed to respond to such grave warning signs is an indicator above all of how different the chalice of the sacred was in Japan at that time, compared with earlier centuries. Perhaps the strongest historical influence on Japanese cultural values was the Buddhist monk Kukai, more commonly known by his posthumous name Kobo Daishi (774-835 AD). He was the founder of the Shingon sect of esoteric Buddhism which he brought from China, and founded the town of Koyasan on a lushly forested mountain plateau in the Kii Peninsula to the south of Osaka. Kongobuji Temple, the headquarters of Shingon Buddhism, is located there, and the Koyasan homepage states simply that "the whole mountain is considered one large temple" (Koyasan Shingon Buddhism Sohonzan Kongobuji, n.d.). The cemetery surrounding the temple itself has numerous stone monuments placed there by well-known Japanese companies, among the giant cedars of the sacred forest.

In the 1950s however, human sacrifice and the sacrifice of nature had become a price companies were willing to pay as Japan tried to rebuild its industrial society after the war. George describes how Chisso used methods that have become familiar in this age of public relations to cast doubt on Kumamoto University's research showing that organic mercury was the cause. He states that:

The events of those years show a criminally irresponsible corporation achieving remarkable success at covering up its responsibility and the huge volume of poisons it discharged and at promoting false explanations for the disease. Government at all levels was responsible as well, and for a time research funding had to come from the United States... Minamata emerged at precisely the moment when major development policies were about to be promoted, and it could not be allowed to delay or derail them. (p. 45)

With final acknowledgment from the government that effluent containing mercury was

responsible only coming in 1968, the final toll came to include the images of children born with terrible birth deformities that have come to be associated with Minamata disease. Cerebral palsy and mental retardation were also common (p. 149).

The process of gaining recognition and compensation for victims and also fishermen whose livelihoods were affected was a pivotal stage in Japan's process of awakening to the need to protect the environment. Mercury poisoning cases were not just limited to the immediate area of the Chisso factory, but also appeared in neighboring prefectures as fish migrated. There were violent incidents between members of fishermen's cooperatives and police, and George describes how Minamata disease eventually came to be recognized at a national level in Japan.

The solutions that were to enable Japan's eventual environmental recovery did not come quickly, or easily. A second case of Minamata disease in Niigata Prefecture occurred, with methyl mercury this time contaminating fish in the Agano River that were subsequently eaten. Tsuru (2000) describes how the company responsible, Showa Denko Corporation, tried to argue that the Niigata earthquake of 1964 had caused spillage of agricultural chemicals into the river causing the disease. Despite overwhelming evidence to the contrary, they continued to argue this through the trial in Niigata District Court from 1967 to September 1971. The court disagreed, stating that:

Showa Denko did cause the so-called 'Niigata Minamata disease' through the utter indifference to the precedent example of the Minamata disease in Kumamoto which could have been known to them if they had listened with modesty to the findings of the Kumamoto University Research Group. (Tsuru, 2000, p. 99)

Tsuru (2000) also notes that the court "affirmed on this occasion the principle that the burden of proof should be placed on the defendant enterprise rather than the accuser". However, legal action by victims who were not eligible for compensation under the original agreement due to very strict qualifying requirements lasted until 1995, when Showa Denko admitted responsibility, apologized, and agreed to pay compensation.

As someone myself who has worked to bring similar difficult issues into the public eye, one particular story recounted by George (2002) sums up the fear and tension of those times. This is the case of W. Eugene Smith, a well-known American photographer who lived in the town of Minamata and documented the disease. Perhaps more than anyone, he is responsible for spreading awareness internationally with his pictures of congenital

Minamata disease sufferers, many with birth deformities. However, he paid a heavy price, attacked by Chisso factory workers in Jan. 1972 while covering an attempt to present a petition on behalf of disease victims to company authorities. Lifted by a group of them, his head was smashed into the concrete “the way you would kill a rattlesnake if you had him by the tail” as George quotes him (p. 233). Smith never recovered from his injuries, suffering loss of eyesight and brain damage, eventually dying in 1978. The W. Eugene Smith Memorial Fund describes his character in these terms on its website:

He set himself to learn the truth – about himself as well as his subjects. In the process, he produced a series of photographic essays, for LIFE and other publications, whose passionate involvement set a standard for what photography can be. Gene Smith was a loner, a driving and driven man, who bucked the system of which he was a part. Some say he sacrificed his career, and himself, on an altar of self-destructive idealism. When he died at the age of 59 in 1978, he had \$18 in the bank. But his name had become synonymous with integrity. His work was his memorial. (W. Eugene Smith Memorial Fund, Inc., 2011)

I can empathize with his situation as being an environmental journalist is apparently as ineffective a way to riches as focusing on these types of issues as a photographer. However, I would add that his memorial is far more than his photographic work, for he played a pivotal role in forcing Japan to face the awful price it was paying in its single-minded pursuit of industrial development. The subsequent environmental protection laws that transformed Japan in the years following are also a part of his legacy.

### **The Ashio copper mine and the start of environmentalism in Japan**

However, although the post-war pollution tragedies are remembered as they preceded Japan’s remarkable environmental cleanup from the 1970s, it is often forgotten that the environmental movement in Japan actually started long before, in the 19<sup>th</sup> century with the Ashio copper mine in Tochigi Prefecture to the north of Tokyo.

According to the excellent paper on the Ashio mine by Shoji and Sugai (1991), the mine, which had been a small operation in the 1600s, rapidly increased production at the end of the 19<sup>th</sup> century. Japan needed copper to support its industrialization, for which Ashio, was the main source. They connect the mine’s expansion to Japan’s drive to become a colonial power at the beginning of the 20<sup>th</sup> century, and also blame the capitalistic production system for the environmental problems (p. 21).



However, with the increased output came problems. Air pollution from sulphur emissions was such that,

By the close of 1884, the entirety of the forested areas around the Ashio refinery had been biologically destroyed. ... by 1893 sulphurous anhydride from the smoke produced by the mining and smelting machinery had killed all living things, so that natural recovery was rendered impossible and the once tree-covered mountains were turned into an absolute wasteland. (p.26)

In addition, heavy metals leaching from slag piles during heavy rains contaminated the Watarase river and soil over a wide area, due to flooding. The resulting fish kills and deaths from poisoning led to a powerful farmer's protest movement. The leader of this movement, Shozo Tanaka, also made it into a protest against Japan's militarization and plans for war with Russia (Shoji & Sugai, 1991).

As the farmer's protest became a national issue, the government responded by establishing the First Copper Poisons Survey Committee, which Shoji and Sugai describe as having recommended building:

... a special area for the accumulation of slag and waste ores, a poisons catchment basin, and drainage for the copper mine itself, and that the water coming from the refinery be neutralized with lime. (p.45)

Although these had limited effectiveness, the government ordered application of similar measures for all copper mines in Japan, with the threat of withholding operating licenses if companies could not pay for them. This led to smaller companies being taken over by larger ones. Various efforts were made to lessen the sulphur emissions in the smoke, such as a smoke stack where the smoke was washed with lime-water before being discharged, but these were not effective.

The government also forced companies such as Sumitomo, which operated the Besshi mine and its smelter in Niihama City on the Inland Sea, to pay damages for smoke-related pollution and take other measures such as suspending operations for 10 of the 40 days of rice- and wheat-growing season, with limits on other days (p. 48). Sumitomo was also driven to find a solution to the problem of acidic sulphur emissions, and eventually did so. As Shoji and Sugai (1991) describe it:

The solution came from the discovery that sulphuric acid could be removed

from sulphurous acid gas and used in the production of ammonium sulphate, which is used as a fertilizer. In 1939, Sumitomo finally implemented their total recovery system, but in the meantime the company had to pay over 6 million yen damages to farmers (p. 48).

After the war, the Ashio mine continued to operate until 1972, when its operator Furukawa Mining announced its closure against the background of a strengthening environmental movement and demands for compensation. On 11 May 1974, Furukawa Mining agreed to a compensation package. Shoji and Sugai state that:

The agreement provided that the company pay 1.55 billion yen (about \$10.7 million), improve the copper wastes effluent system, improve the quality of the poisoned farmland, and sign an agreement for pollution control. This was the first time in the 100-year history of the company that Furukawa actually paid money to the farmers in compensation for damage done instead of simply providing token donations from time to time. (p. 60)

Efforts to manage the remaining slag pile accumulation systems and prevent them contaminating river water continue, as well as reforestation efforts, although this is difficult and a 3,000-hectare area around the mines remains devoid of vegetation.

For the university summer vacation, I take the ferry the length of the Seto Inland Sea from Kyushu to Osaka, then go for a brief vacation snorkel diving on Awaji Island to the southwest of the city of Kobe, which really marks the eastern limit of this sea with its many islands. In 1994, the north of the island was the epicenter of the Great Hanshin Earthquake that killed over 6,000 people in the Kobe region. Japan is subject to natural disasters as well as human ones.

It is easy to forget, diving in the clear water and looking at the variety of fish there, that it was not always like this. In their book published before the cleanup occurred, Huddle, Reich, and Stiskin (1975) capture exactly what the situation was like:

While the world watches Japan as a multivariate study in chemical pollution, the Japanese watch the Seto Inland Sea. Factory effluents, untreated sewage, and agricultural runoff have transformed this once crystal clear body of water into a chemical soup. Nets that once hauled in fish renowned for their taste and purity now bring up refuse and plastic, while whatever fish catch materializes is suspect of PCB and mercury

contamination. Every year, more and more Inland Sea fishermen abandon their trade and resort to employment in nearby factories. Those who once proudly referred to their waters as “Japan’s Marine Treasure House” have bitterly renamed it “Japan’s Inland Sewer.” (p. 189)

### **Itai-itai disease and Mitsui Mining and Smelting Company**

Contemporary with the Minamata tragedy, another severe case of environmental contamination, this time due to cadmium was occurring in Toyama Prefecture on the Japan Sea coast. As Huddle et al. (1975) describe it, an excruciatingly painful condition known as itai-itai disease began to appear in the lower part of the Jinzu River from 1910. At the time of writing, 200 mainly post-menopausal women had been bedridden with fragile bones that broke if they moved and 130 had died in the post-war period. The disease got its name from their cries of “*itai, itai!*” (it hurts, it hurts!). (p. 187)

The culprit was eventually found to be a mine operated by Mitsui Mining and Smelting Company (MMS) at Kamioka in the upper reaches of the Jinzu River. Waste from the mine, which produced lead, zinc and copper, had led to not only lead and zinc accumulating in bones and tissues of those afflicted by the condition, but also cadmium in exceptionally large quantities.

As recounted by Tsuru (2000), although the Japanese Minister of Welfare made a definitive statement in 1968 linking itai-itai disease to cadmium pollution, MMS dug its heels in and resisted accepting responsibility in the civil lawsuit that began that year. Tsuru makes telling statements about MMS’s attitude as the defendant that could just as well apply to many large resource-extraction companies in recent years. He describes them as “not to be easily humbled”, with a pre-eminent place among Japanese *zaibatsu* or “big business” companies both before and after the war.

It took 3 years for the trial to come to its conclusion, during which MMS tried to discredit the scientific evidence linking cadmium poisoning to the disease. Tsuru describes the judgment in June 1971 ordering MMS to pay damages was significant in establishing the principle that “the causal relation illuminated through epidemiological research was sufficient for legal purposes” (p. 104). However, MMS immediately appealed, denying that the cause had been established. In August 1972 the Nagoya High Court agreed with the lower court’s verdict and the MMS president reluctantly agreed that they would not appeal further.

## **Yokkaichi Asthma**

Tsuru (2000) also gives a sobering account of the corporate attitudes in the Yokkaichi asthma case, which was the other major pollution lawsuit leading to the eventual cleanup of Japanese industry. Located by the Bay of Ise to the south of the city of Nagoya, in 1955 the city of Yokkaichi became the site of a major oil refinery and petrochemical facility constructed by Mitsubishi-Shell. This became the first stage of an ambitious plan to transform Yokkaichi into an industrial city, with a large-scale land reclamation project along the ocean shore.

By 1963, two groups of petrochemical complexes were operational, and the effects of industrial pollution were becoming evident. While the lung problem that became known as “Yokkaichi asthma” is the most well-known, Tsuru points out that air pollution was not the only concern, stating:

Indeed, Yokkaichi presented an ‘ideal’ (!) classroom case of kogai in a multiple form, for almost every one of the latter-day kogai phenomena – the pollution of air by sulphur oxides, smoke and various dust particles; noise and vibration; water pollution; and offensive odour – began to plague the citizens almost at the same time from around 1960. (p.72)

Two incidents illustrate the company attitudes at the time, and also the complicity of labor unions. In the first, Tsuru describes how a worker for Showa Yokkaichi Petroleum spoke in a union meeting about how he was ordered to switch from normal crude oil to a lower sulfur variety ahead of a visit by the Welfare Minister. However, not only did the union refuse to take action, but reported the worker to the company management, resulting in his abrupt transfer to another city. Eventually, despite opposition from this union, the citizens’ group that was fighting the increasing pollution did manage to succeed in bringing a lawsuit regarding Yokkaichi asthma, against six companies (p. 75).

The second case involved a lawsuit against Ishihara Sangyo Company, which had been discharging sulphuric acid waste water into Ise Bay, killing fish and forcing fishermen to fish outside their legally allowed areas. The lawsuit was brought by Muneaki Tajiri, whose job had been to arrest fishermen who were poaching in this way. Tsuru describes the resistance of the company “elaborately strenuous” in the ten-year trial, which finally ended in March 1980 with the charges upheld.

As summarized by O'Connor (1994) in his interesting study of industrialization in East Asian countries, these locally based environmental campaigns led to landmark changes in Japanese law by the Diet, as the legislative assembly is called. These were key to the subsequent cleanup of the Japanese environment.

Enacted in 1967, the Basic Law for Environmental Pollution Control “set out broad policy objectives and priorities, outlined methods for implementing policy and defined relationships between central and local governments as well as between the public and private sectors” (p. 64). However, O'Connor also notes the controversy over the law making provision for the establishment of environmental quality standards “in harmony with sound economic development”, saying that it was interpreted to mean “in subordination to economic growth”.

This sums up the dispute about what is sacred in our modern society, economic growth or environmental conservation, and also shows why Japan was ultimately successful in solving the environmental crisis in such a dramatic way in its home islands. The key, according to O'Connor, is that the controversial clause was deleted when the Basic Law was revised in 1970, making environmental quality the first priority in an unambiguous way.

While the 1970 session of the Japanese legislature or Diet is noted as the “Pollution Diet” when important legislation establishing the “polluter pays” principle was enacted, O'Connor also points out that it was a part of a process of instituting new laws and standards over a number of years. After a satisfactory statement of guiding principles in the legal framework of the Basic Law and accompanying legislation was achieved, he lists the environmental quality standards implemented over the years from 1968 to 1973. For atmospheric pollution, these included standards for automobile exhaust, sulfur dioxide, nitrogen dioxide and photochemical oxidants. Effluent standards were also strengthened for mercury and PCBs (polychlorinated biphenyls).

O'Connor (1994) states that Japan had achieved “impressive results” at the time he was writing, referring to decreased air pollution, but that progress had been slower where behavioral changes were required. He says that:

The Japanese system of environmental management has tended to evolve from an early emphasis on crisis management and damage compensation (e.g. the four major pollution cases) through an emphasis on ‘end-of-pipe’ pollution control (e.g. wastewater treatment, flue-gas desulphurization and

denitrification units) toward one more concerned with waste reduction and pollution prevention through, for example, the development of cleaner process technologies. (p. 65)

However, while the years since the collapse of the real estate-driven Japanese bubble economy in 1991 have been derided by mainstream economists as two “lost decades”, in fact they have provided an impetus for the behavioral changes that O’Connor saw as lacking. The change is perhaps most visible in the number of “recycle shops” in every town, where used goods of all kinds are bought and sold. The effects of the tsunami and Fukushima nuclear catastrophe are also becoming apparent as I write in the summer of 2011. While the opinion voiced in *The New York Times* shortly after the waves smashed into the eastern seaboard was that post-tsunami Japan would be characterized by voluntary self-restraint, or *jishuku*, saying that “anything with the barest hint of luxury invites condemnation” (Belson & Onishi, 2011), so far that is mainly true in terms of the reduced use of power.

In the wake of the shutdown of nuclear plants for safety checks following the disaster, there was a scandal reminiscent of Japan’s troubled past when companies and their workers were the main obstacle to progress being made. Ironically, it was again on the island of Kyushu that up to a hundred Kyushu Electric Company workers posed as local citizens to lobby for the nuclear plant to be reopened before the checks were completed (BBC, 2011).

As I write, it is the Japanese mid-summer festival of Obon, when ghosts of ancestors are said to return to their ancestral homes. I find myself thinking of how the spirit of W. Eugene Smith, the photographer whose injuries at the hands of Chisso company workers were a factor in his early death, must view this. Is the worldwide corporate culture in fact the greatest obstacle to successful addressing the challenges of this time? Is it possible for business practices to be reformed to the point that operations in countries with weak governments and legal systems will not lead inevitably to disastrous outcomes?

In Japan, the progress following the environmental disasters was due to courts being prepared to make groundbreaking judgments against powerful companies, although the lawsuits tended to take years. It has also been the case that companies have needed to be forced to act by strong government action, and on the anniversary of the atomic bombing of Hiroshima, Japanese Prime Minister Naoto Kan was openly calling for an

end to nuclear power, which would have been unthinkable a few short months before (Hoon, 2011). It is likely, given the experience of the last century, that this type of statement from the highest level of government will lead Japan to make another step towards an environmentally sustainable future.

### **Chapter Three: The Corporation and the Sacred Land – The Case of Daishowa-Marubeni International and the Lubicon Cree**

As we have seen, Japan's success in tackling its environmental problems in its home islands followed a pattern. In each of the major pollution cases, acknowledgment of the existence of a major disaster was fought by the companies involved, often with the connivance of government bureaucracy. However, strong locally-based movements managed to force change over periods of many years, helped by a sympathetic legal system.

This pattern has repeated in the corporate social responsibility performance of Japanese companies operating abroad. From the 1980s through the 1990s, Japanese companies were strongly criticized for their role in deforestation in the tropics particularly. However, by the end of the first decade of the new century, they had greatly improved, to the extent that Noriko Shimizu of Friends of the Earth in Tokyo commented in a telephone interview that Japanese companies were no longer a problem abroad (personal communication, June 2, 2011).

To understand how this change occurred and its extent, I will start by examining the case of the extended legal campaign by Daishowa-Marubeni International (DMI) against the Friends of the Lubicon in Canada in the 1990s. If Japan has indeed leapfrogged the rest of the world and is pioneering progressive corporate practices, it is important to understand the extent of the change and its nature, and to identify its strengths and weaknesses. This happened before 2003, which according to the excellent study by Fukukawa and Teramoto (2009) is “the first year of CSR” in Japanese companies.

#### **DMI and the Peace River pulp mill**

The company's homepage (Daishowa-Marubeni International Ltd., 2012a) describes how the company was established in Canada in 1969. Two Japanese companies, Daishowa Paper Manufacturing Company Ltd. and Marubeni Corporation, were involved in a merger with a third Canadian company, Weldwood. In 1992, DMI acquired the bleach kraft pulp mill in Peace River as part of a takeover of Daishowa Canada's operations in Alberta. The mill is described as having started operations in 1990, using locally-sourced aspen chips and white spruce chips from regional lumber



mills to produce 480,000 tonnes of pulp annually. The pulp is sold on the international market, and used for high-quality paper products.



Fig. 1. Location of DMI in Peace River, Alberta, Canada  
Source: Wikipedia

### **The controversial Alberta pulp and paper expansion**

In the early 1990s I was living in Calgary, an expansive city in the south of Alberta province. The eastern slopes of the Rocky Mountains rise in the west of Alberta, and the center and east of the province are the start of the prairies, the great plains that stretch for two time zones across Canada to Ontario. Towards the north, the prairie grasslands turn into the boreal forest, which is the most extensive biome on Earth. Mainly located in Canada and Russia where they are known as taiga, the boreal forests encircle the polar regions. During the 1980s, the Canadian boreal forests were coming to the attention of Japanese companies eager to find raw materials to supply that country's bubble economy. Secret negotiations underway with the right-wing provincial government were dramatically brought to light by a piece of investigative journalism that would later win awards. The nationally published article by Nikiforuk and Struzik (1989) explained how, behind closed doors, the Alberta government had given rights to log a vast area of the north of the province to Japanese interests.

A report by Friends of the Earth (1997) explains the situation in Alberta at the time. Big companies paid very little money to cut trees, and the so-called “stumpage rates”, a per-volume fee for timber which has been logged, were “among the lowest in the world”.

The report quotes a figure of \$2 per cubic meter for softwoods, far lower than the USA where it was \$10 and Scandinavia where it was \$35.

It is therefore not surprising that Japanese companies were such enthusiastic customers for the Alberta government's offer. The report describes how:

In Alberta, two Japanese- controlled companies, Daishowa Marubeni International Ltd and Alberta Pacific Forest Industries Inc. (ALPAC) (controlled by Mitsubishi Corporation), have been granted logging rights to tracts of land covering 17.5% of the land area of Alberta. Daishowa's Forest Management Agreement (FMA) covers 4 million hectares and ALPAC's covers 7.34 million hectares. These two FMAs give just two companies effective control over an area larger than the combined area of Switzerland, Holland and Belgium. (Friends of the Earth, 1997)

In addition, DMI was given grants totaling over \$80 million, "even though the company had failed to resolve disputes over aboriginal land rights" (Friends of the Earth, 1997). This oversight was to lead to one of the most bitter legal disputes over environmental issues in Canadian history, Daishowa Inc. v. Friends of the Lubicon.

### **The Daishowa boycott and lawsuit**

In his in-depth paper on the lawsuit, Tollefson (1996) describes how in February 1988, DMI was granted a forest management licence to log a 29,000 sq. km. area of forest in northern Alberta to provide fiber for a new pulp mill that would be able to process 11,000 trees per day. This area included the entire 10,000 sq. km that the Lubicon Cree, a native band, regarded as their unceded traditional land and the subject of a land claim. The Lubicon had never agreed on a land treaty with the Canadian federal government, and in that regard were different than the majority of native communities in Alberta and the other the Canadian provinces east of the Rocky Mountains. After logging in the disputed area began in 1990, a call for help by the Lubicon was answered by the Friends of the Lubicon, a small Toronto-based NGO with a budget of about \$2,000. They initiated a boycott of Daishowa paper products. Tollefson states how:

The goal of the boycott was to persuade Daishowa to commit publicly to a moratorium on logging in the disputed area until a land claim settlement

was achieved and a timber harvesting agreement between Daishowa and the Lubicon, reflecting Lubicon environmental and wildlife concerns, had been reached. (Tollefson, 1996)

Although DMI decided not to log on unceded land in 1991-2, the boycott continued, with 26 companies participating by the autumn of 1994. Tollefson (1996) describes how, against this background, DMI launched a complex lawsuit against the Friends of the Lubicon and three individual organizers, seeking financial damages in excess of five million dollars. Unlike many other small NGOs and individuals faced with such lawsuits, Friends of the Lubicon managed to obtain pro bono representation from a Toronto law firm, and later after the firm was forced to withdraw due to the time involved, the Sierra Legal Defence Fund took the case.

Tollefson (1996) describes this approach by the company as an example of Strategic Lawsuit Against Public Participation, or SLAPP, which had become a common tactic by large corporations facing protesters in the USA in the preceding twenty-five years. According to Tollefson (1996), in a SLAPP corporate interests “target citizens and citizen organizations for taking part in lawful demonstrations and boycotts, reporting health or environmental offences, circulating petitions, even for attending public meetings”. Typically, the SLAPP target is sued for large sums of money for lost revenue, forcing defendants to defend themselves at great financial cost and risk, since typical court rules enable the winner to extract costs from the opponent. Tollefson (1996) describes them as a strategy by a corporation which is losing a dispute in the political arena, with the aim not to win but simply to deter opposition in future. He points out that even if the SLAPP filer loses, the cost awards represent a small cost of business for a large corporation while they can ruin an individual or NGO engaged in activism.

### **An academic is targeted**

In addition, Genovali (1997) describes how Tollefson himself was targeted by DMI to prevent him from publicly talking or writing about the case. Tollefson was a law professor from the University of Victoria, and Genovali describes it as possibly the first time in North America an academic was targeted in a SLAPP-type lawsuit. DMI strongly disagreed with Tollefson’s characterization of it as a SLAPP, and yet this is how it is now referred to in academic literature such as McKenzie (2001).

Clearly, there was extremely strong distrust on both sides, and entrenched worldviews such that each side saw the other's viewpoint as a poison in the chalice of its own beliefs. DMI responded to the complaint by stopping logging in the disputed area after the first protests, and yet instead of acknowledging this, the Friends of the Lubicon responded by intensifying the boycott. In an interview reported two years after the start of the lawsuit, defendant Kevin Thomas of the Friends of the Lubicon described how the Lubicon's hunting and trapping economy had been destroyed by the oil industry, leading to social problems such as alcoholism. In addition, a tuberculosis epidemic had also affected a third of the population. Forestry only became an issue after the Alberta government gave rights to log large areas of Alberta to Mitsubishi and DMI, including the entire Lubicon land claim. He described how instead of a long-term commitment to refrain from logging in the Lubicon territory, DMI only responded with by extending a moratorium on logging there by another year (Corporate Crime Reporter, 1996).

### **A missing Van Gogh painting**

DMI is described by the corporate research firm Funding Universe (n.d.) as having been "imperiled by scandal, recession, and insolvency" in the 1990s, following two decades of aggressive expansion that had seen it acquire operations in Australia and Canada. The report explains how Ryoei Saito, its honorary chairman, had acquired a reputation for extravagance at the company's expense, with purchases of "the two most expensive paintings ever sold by auction". One of these, *Portrait of Dr. Gachet* by Vincent van Gogh, which Saito purchased for \$82.5 million, was to become the subject of an art mystery that continues to this day. While Saito was, according to Funding Universe, arrested in Nov. 1993 on bribery charges related to land-development projects, it was not this that led to his making the headlines internationally. A report in Britain's *The Independent* newspaper (Usborne, 1999) describes how he stated that he wished for the Van Gogh painting to be cremated with him upon his death so that his children could avoid paying inheritance tax. However, upon his death in 1996, the painting disappeared and art experts do not know where it is. Although DMI officials denied that the painting had been burned, they have offered no evidence of its sale or present status.

### **The lawsuit is stalled**

Two years later in 1998, DMI's aggressive use of the legal system hit a roadblock in the form of Ontario Justice James Macpherson. His judgment, described by Smith (1998) as

reversing an earlier “stunning corporate silencing of citizens' political speech”, refused to make permanent the injunction in January 1996 that had banned Friends of the Lubicon from using methods such as picketing to promote a boycott against DMI. Smith goes on to describe how Justice Macpherson described the low-key methods employed by Friends of the Lubicon as “a model of how such activities should be conducted in a democratic society”. In particular, Macpherson saw the right to freedom of speech as important in a case with significant public interest although he did agree that the use of the word “genocide” in the boycott campaign was defamatory.

Shortly afterwards, on May 20, 1998 DMI announced that they would not log in the area of the Lubicon's land claim until the issue was resolved with the federal government. Correspondence between DMI, Lubicon chief Bernard Ominayak, and Friends of the Lubicon, shows how, once the company issued a written statement to this effect, it was rapidly accepted by Ominayak, and the Friends of the Lubicon agreed to wind down their campaign, effective immediately (Friends of the Lubicon, 1998a).

Despite this, later that same year, DMI elected to continue with an appeal of Macpherson's judgment to the Supreme Court of Canada. Writing in the *Peace River Record Gazette*, Guerette (1998) quoted DMI's Director of Corporate Affairs Tom Cochrane as saying they would appeal against the part of the judgment that allowed people to “demonstrate and harass our customers”. This led to distrust of DMI's intentions on the part of the NGO, as shown by the following statement:

For Daishowa to argue before the court that they need to be protected from further boycott activities, then, means one of two things: either that Daishowa intends to break its commitment not to clear-cut Lubicon territories prior to settlement, or they fear that the Lubicons will insist on environmentally responsible methods of harvesting post-settlement and simply want the Lubicons out of the way, period. Given that Daishowa is known to work closely with the province - who have recently stepped up their efforts to tear apart Lubicon society in order to scuttle current Lubicon negotiations - the latter option remains a distinct possibility. (Friends of the Lubicon, 1998b):

Eventually, a last-minute settlement was reached between the two parties, ending the court action (Friends of the Lubicon & Daishowa, Inc., 2000). FOL agreed to end its

boycott activities, conditional on DMI keeping a written commitment it had made to the Lubicon in writing not to log or purchase fiber from the area of the Lubicon's land claim, pending an agreement with all levels of government. The court case was over, having challenged the most fundamental rights of free speech in a democratic society.

### **The confrontation from DMI's standpoint**

To understand the issue from the company's point of view, I interviewed the Director of Corporate Communications for DMI, Stu Dornbierer, by telephone (personal communication, December 1, 2011). He explained how DMI was well-positioned to sign the Canadian Boreal Forest Agreement (CBFA) of 2009, where forestry companies and environmental groups agreed a framework for protection of the northern forests. He said this was due to having had foresters who were "unheralded leaders" in implementing concepts of ecosystem-based forest management. Dornbierer emphasized that this was done from the beginning, laying a good foundation for later practices of sustainable forestry, saying:

We took a lot of care and time to help Chief Ominayak and the Lubicon people understand their land base and natural disturbances on their land, as opposed to disturbances that could be created by economic activity such as harvesting. So, a lot of time was spent with our forestry staff over a great number of years now, and I think there was a trust that was built up through the years with them, through some of the difficulties we had. (personal communication, December 1, 2011)

Regarding the boycott and subsequent lawsuit, Dornbierer continued that it had been very effective, directed against a paper bag manufacturing company in Winnipeg owned by Daishowa Forest Products, and that the company was impacted financially. The lawsuit was a part of the response to that situation.

He then went on to explain that DMI had unexpectedly found itself in this situation, as a company that had been invited by the Alberta government "to harvest an underutilized resource of aspen and formerly a commercially unviable product" in order to diversify the province's economy. The Lubicon issue arose during construction of the pulp and paper mill but before the Forest Management Agreement had been signed, leading the company to seek clarification from the Alberta government as they did not well

understand the history and details of the Lubicon land claim issue, being mainly expert, as he puts it, in the making of pulp.

Dornbierer explained that the Alberta government reassured the company from the outset that there was nothing to worry about, and they would be compensated with other sources of fiber if negotiations with the Lubicon led to some of their allotted logging area becoming off-limits. DMI, following the Supreme Court case, pledged to the Lubicon to not harvest in the tear-drop shaped area until a land claim settlement was resolved. Over the years DMI has attempted to pressure the Alberta government and the national Canadian government to resolve the situation, at one point going so far as to have the Japanese ambassador to Canada meet with Chief Bernard Ominayak of the Lubicon Cree in the hope of communicating the urgency of the situation. He explained how disappointed the company was that the Canadian government did not address the issue, and the Lubicon's land claim remains unresolved.

This contact and interview showed DMI's attitude to be excellent, and I had no trouble getting an interview although they were aware that in the past I had written about logging issues in Alberta from a viewpoint that was far from friendly. This was also despite their knowing I was interested in writing about the SLAPP suit, a term which the company had gone so far as to attempt to ban the use of in scholarly writing in the course of the lawsuit.

In this regard, the company clearly seems to have progressed, and to be keen to advance the cause of the Lubicon Cree. However, the two sides have very different worldviews as revealed by Dornbierer's choice of words in calling the vast forests of trembling aspen an "underutilized resource" whose main value was in diversifying the Alberta economy. This concept of monetizing a natural resource to improve the economic growth prospects of a region or country is a basic ingredient in the chalice of what is sacred to modern nation-states, and to the companies that operate in them.

### **The sacred chalice of Canadian First Nations**

The chalice of the sacredness in the natural world in the mind of Vincent van Gogh is ironically brought into focus by the artistic taste of DMI chairman Ryoei Saito. The first time I saw the boreal forest with my own eyes, the ocean of trees sighing in the slightest breeze in the late summer sun reminded me of his paintings. Somehow, van Gogh had

captured the way the wind brought those summer fields of other-century Europe to life and communicated his vision of the divine that he saw there to me, on another continent a hundred years later. The message seemed particularly strong in his painting *Wheatfield with Crows*, where the wind-blown wheat is under a dark sky and the sun is only suggested. In this painting, he seemed to me to foresee the grave threat to the natural environment of our planet, and to communicate it as a warning to those who had eyes to see. It was poignant that the painting that Ryoei Saito had chosen to make disappear from view for the world was one by this most passionate and perceptive observer of the natural world. This served to remind me to try and understand the issues surrounding industrial resource extraction from the viewpoint of Canadian First Nations as their spirituality is also closely connected to the natural world.

When I made this connection, I was driving through north Alberta en route to the town of Fort Smith in the Northwest Territories. This town is next to the Slave River and downstream from the pulp mills of the Alberta pulp mill expansion of which the DMI mill was a part. Environmental groups had been raising the alarm about the amount of dioxin that would be put into the Slave-Mackenzie river system that flows north to the Arctic Ocean, by the mills as a byproduct of the bleaching process. Dioxin is highly toxic in small quantities, responsible for birth defects and cancer, and tends to accumulate in fish. It was my intention to participate in a kayak race being held on the Slave River, then interview local people to understand their perspective on this problem.

By coincidence I arrived in Fort Smith at the same time as the 21<sup>st</sup> Dene National Assembly, which was held in the town that year, and I went to tape some interviews there. The Dene Nation are First Nations people spread over a vast terrain in the Northwest Territories (N.W.T.) of Canada, and their National Assembly is held in a different place each year, so this was good fortune. In going to the assembly site and obtaining interviews, I began to appreciate for the first time the different perspective of this ethnic group, both in terms of the spirituality which forms a constant background to life in this harsh but beautiful land, and also in terms of the attitude to the European settler culture, which had lately expanded to include corporations from Japan.

The Dene Declaration displayed on the website of the Dene Nation expresses this in forthright terms:

Nowhere in the New World have the Native peoples won the right of self-



determination and the right to recognition by the world as a distinct people or as a Nation.

While the Native people of Canada are a minority in their homeland, the Native people of the N.W.T., the Dene and the Inuit, are a majority of the population of the N.W.T.

The Dene find themselves as part of a country. That country is Canada. But the Government of Canada is not the Government of the Dene. The Government of the N.W.T. is not the government of the Dene. These governments were not the choice of the Dene, they were imposed on the Dene. (Dene Nation Join National Assembly, 1975)

In order to fully appreciate the different viewpoints that led to this court case, it is necessary to appreciate how North American First Nations such as the Lubicon Cree view the natural world. While in the past this viewpoint tended to be dismissed by mainstream society or looked upon in a condescending way, this situation has changed markedly in recent years due to the influence of native spirituality on the environmental movement. The spiritual dimension to native beliefs is made clear by the website of the First Nations Environmental Network (n.d.), a national Canadian organization that participated in the campaign for recognition of the Lubicon's land rights and against unrestrained oil and gas and forest exploitation. The vision is explained as "working to protect and restore the balance of all life" and encouraging the "work of protecting, defending and healing Mother Earth" through traditional indigenous values. In particular, a better life for "All Our Relations" is seen as an important goal, referring to the animal world.

The concept of the sacredness of the natural world is central to this philosophy, but the First Nations Environmental Network site describes how many sacred sites represent personal codes of life of "bravery, respect, honesty, humility, wisdom, honor, and sharing" (First Nations Environmental Network, n.d.). These were also represented by the body parts of the great turtle of Turtle Island, a traditional name for the North American continent.

These sacred sites were places of prayer and rather than clear the land and build imposing buildings or churches on it, these places of worship

incorporated and augmented the natural geographical features of the land and water. (First Nations Environmental Network, n.d.)

This type of symbolism, connecting the natural world to personal conduct and character, is a central feature of the native worldview, and its relationship with the modern consumer society remains uneasy.

### **Outcomes of the court case**

In a sense, the development of DMI's attitude from one that saw the forest simply as a resource that they had the right to exploit, to actively supporting the Lubicon's land claim, is the story of how the native worldview has become more mainstream in recent years. Although the company did employ a rather heavy-handed and controversial method to defend what they saw as their right to generate money in this way via the SLAPP suit, they were also eventually able to reach an agreement that was acceptable to all parties.

To understand how DMI's policy has developed following this process of conflict resolution, it is instructive to examine its CSR policy in more detail, and how it relates to the policy of Marubeni, the Japanese parent company. The Marubeni website has a large CSR section (Marubeni Corporation, n.d.-a) with in-depth information about its activities available for download. In this sense, it is using the new technology of the Internet to demonstrate a commitment to transparency.

Transparency is also stated as one of its key goals in management and corporate governance, with the aim of achieving sustainable growth while being recognized by society as a "recognized by society as a good corporate citizen". It has a CSR Committee, now called the "CSR & Environment Committee" that was established in April 2004 and appears to have been working in a methodical way to address issues in several main areas. In addition to transparency, these include "compliance and respect for human rights, which are essential for sound corporate management", contributing to society and also protecting the global environment.

Marubeni also states that it is committed to working with stakeholders. While three of the categories, namely customers and business partners, shareholders, and employees, are predictable enough, there appears to be a problem with a fourth stakeholder category

of “society and the environment”. It states here that:

We aim to become a member of the local communities where we do business, and to contribute to the creation of robust local communities. Outside Japan, we respect local cultures and customs and reinforce management that contributes to local development. Furthermore, we are firmly opposed to antisocial forces and groups that threaten the order and safety of society. We also recognize that environmental initiatives are an essential element of our activities and, as such, we take action voluntarily and proactively. (Marubeni Corporation, n.d.-b)

While the aim of contributing to local communities is laudable, “management that contributes to local development” can be a potential problem when the local community is, as in the case of the Lubicon, firmly opposed to having their traditional lands “developed” by the building of all-weather roads to facilitate logging. Likewise, given the history of the pursuit of a protesting group by the heavy and controversial use of a SLAPP suit in Canada, the statement about being opposed to “antisocial forces and groups” can only be taken as menacing. It can easily be interpreted as being opposed to groups that oppose the company’s immediate interests in terms of a project such as a pulp mill.

In the case of the Canadian subsidiary DMI, its website showcases its third-party certification both for its pulp mill and for its forestry practices. The forest certification section includes statement that its fiber avoids both wood harvested in violation of traditional and civil rights, as well as wood from forests being converted to plantations or where genetically modified trees are planted (Daishowa-Marubeni International Ltd., 2012b).

As an environmental journalist, I was pleasantly surprised to see the statement on genetically modified trees, as I had written about this subject in Canada where there had been a number of field trials of trees genetically modified to make them easier to process into pulp for paper-making. While there is no mention of the Lubicon on the website, the fact that I had no trouble in obtaining a detailed interview indicates a commitment to transparency. In addition, the company’s status as a signatory of the widely acclaimed CBFA does indicate a sincere commitment to working with stakeholders, although the CBFA itself has been criticized for not sufficiently consulting

First Nations before finalizing its text.

## **Discussion**

The process of detoxifying this poisoned chalice is one where each side develops an acceptance of the beliefs of the other, and stops seeing its own beliefs in such absolute terms that it is prepared to destroy those who see things differently. Instead it is necessary for each side to allow its own worldview to be modified to some extent. It is also important to realize that it is human nature that when communities and families are faced with an existential threat, that they will fight for survival. Daishowa under Ryoei Saito embodied the excesses and hubris of the Japanese “bubble economy” of the 1980s and when they found a willing partner in the Alberta government’s agreement to sell logging rights at bargain prices, they were ruthless in the defense of what they perceived as an absolute right. The pursuance of the SLAPP suit even after an agreement had been reached seems to show a contempt for opposition and disregard for the sacredness of signed agreements which is a part of older concepts of honorable business practice. The purpose seems to have been to utterly destroy and humiliate the Friends of the Lubicon for having the temerity to oppose this large corporation.

At the time the boycott campaign began, concepts of shared heritage or the greater common good seemed lacking from the chalice of Daishowa’s beliefs. The purpose of forests was simply to enable accumulation of wealth, which then enabled the owner to demonstrate how superior he was to the rest of humanity by demonstrating his power to acquire a famous art masterpiece by Vincent van Vogh at a record price, and then to demonstrate his ability to withhold it from view and even destroy it. As of this writing, the fate of the painting remains unknown, but it can no longer be viewed by the general public even if it has survived Saito’s instructions to incinerate it.

There is no question however that DMI has now changed course, with a progressive and in many ways exemplary corporate social responsibility policy. It is still a work in progress in some areas, but the company is now acting with a new humility and awareness of its place in both the fabric of human society and the fabric of the natural ecosystem. They have taken on certain aspects of the Lubicon’s worldview, and are now pursuing sustainable forest management with a demonstrable commitment to transparency via third-party certification.

While I was unable to get a direct response from either the Lubicon Cree or the Friends of the Lubicon, it also seems likely that they have come to accept the assistance of the company's forest experts in management of their traditional lands. If this is indeed true as Dornbierer indicates, it will be progress as they are able to accept that modern forest management practices can indeed allow the shared resource to be utilized for purposes such as paper production while also respecting the traditions of their ancestors. The contents of their sacred chalice will have been somewhat altered, including new ingredients.

Both the Lubicon Cree and the Friends of the Lubicon have played a role whose effects will go far beyond the cold forested plains of north Alberta. In standing their ground in what Justice Macpherson acknowledged was an exemplary fashion, they have caused a major Japanese corporation to build on earlier advances in corporate practice made in Japan and seriously implement good CSR policies in Canada, which is regarded as a developed country. In the next chapter, I will examine how Japanese CSR policy has progressed following a confrontation that threatened one of the most sacred places in the chalice of beliefs of conservationists, a national park in the developing country of India.

#### **Chapter Four: Mitsui and the Defence of Kudremukh National Park**

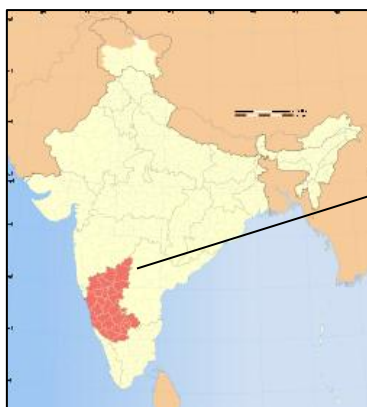
In 2001, I was unexpectedly asked by a national environmental magazine published in India if it would be possible for me to do research for an urgent article about a threat to Kudremukh National Park in the Western Ghats, a mountain range on the west coast of India. It seemed that a consortium of Japanese trading companies wished to obtain part-ownership in Kudremukh Iron Ore Corporation Ltd. (KIOCL) that had been mining on park land that been leased to it, and after obtaining a long-term mining lease to greatly expand its operations. According to one report (American Metal Market, 1998), the Japanese companies, including Mitsui, Marubeni, Itochu, and Sumitomo, were interested in a “strategic stake” of 26 to 40 percent in KIOCL as “part of a global sourcing chain” and were not interested in running the mining company.

In my subsequently published article, I reported how Mitsui, one of the leading consortium members, told me that any decision to develop the Kudremukh mining was only dependent on the Indian government, and was not their concern. According to Mitsui, decisions to buy were made on the grounds of quality, quality, price, and not just environmental considerations. They said they were not planning to invest in KIOCL at that time, but might consider it if the Indian government gave long-term mining permission as NGOs could not in that case object. I also reported a statement from the Japanese office of Friends of the Earth (FOE) that the trading companies, which at that point also included Nisshoiwai and Mitsubishi, had an uncooperative attitude. In particular, the trading companies refused to give information about Kudremukh National Park to the steel companies to whom they subsequently sold the iron ore. FOE had been cooperating with an Indian NGO, Environmental Support Group (ESG) in a campaign against the mining inside the park. When I asked Mitsui for a response to an open letter from ESG and FOE to the then Japanese Prime Minister Yoshiro Mori asking that Japanese companies not purchase ore from the park, Mitsui declined to comment (Carter, 2002).



Fig. 2. Location of Kudremukh National Park in India

Source: Wikipedia



Location of Karnataka State in India

### **Mitsui's history of resource procurement**

The Mitsui website (Mitsui & Co., Ltd., n.d.) describes how the original Mitsui & Co. was founded as a trading company specializing in rice in 1876. It also played a role in the development of the cotton industry in Japan, bringing spinning machines from Britain and cotton from China. The shift from light to heavy industry, including chemicals and mining, occurred after the 1930. The company was then disbanded under American occupation at the end of the Second World War, leading to the founding of over 200 independent companies where Mitsui had previously held part ownership.

The present era of Mitsui & Co. began in 1959 with its re-establishment from former affiliates. The company website describes how it supported the rapid growth of Japanese industry through the 1960s as a general trading company, with its main purpose being the establishment of stable supplies of raw materials. It began to establish long-term contracts to this end, and also became directly involved in the development of natural resources, including copper mining, in other countries. The emphasis shifted again in the 1970s to ensuring stable energy supplies in the wake of the 1973 oil crisis.

From the 1990s, the company website describes Mitsui as changing from a “General Trading Company” to a “Global Business Engineering Enterprise” involved in a wide range of activities including chemicals, the food industry, and information technology. The Taiwan High Speed Rail Project is given as an example of Mitsui’s engineering prowess, in which, as in the Kudremukh case, it is operating in a consortium with other Japanese companies including Mitsubishi. In terms of mining, Mitsui’s partnership with the Brazilian company Vale is mentioned, which as we shall see has become problematic in the eyes of international environmental and human rights organizations. In addition to its earlier purpose of securing stable supplies of natural resources for Japanese industry, environmental conservation initiatives including development of renewable energy and metal recycling are described. However, the imperative of securing supplies of resources continues as Mitsui now sees global food supplies as under increasing pressure in the 21<sup>st</sup> century, leading to its increased involvement in agriculture and grain trading.

### **Mitsui's environmental policy in 2001**

Mitsui was sufficiently aware of the increasing importance of environmental issues in 2001 to publish an Environmental Report for the year. In this report, there is a clear basic policy statement regarding the procurement of materials such as iron ore:



Mitsui is active in a wide range of trading activities, along with the development of energy sources and other natural resources for various industries. These include export, import, domestic and offshore transactions in such industrial materials as steel, non-ferrous metals and chemicals...

Mitsui appraises business activities from the perspective of environmental protection and seeks to improve these activities while striving to prevent pollution. (Mitsui & Co., Ltd., 2002, p.2)

Regarding the proposed takeover of KIOCL, there is an equally clear statement:

Mitsui assesses the environmental impact of new investments before making a final decision and prepares environmental impact assessments whenever necessary. Mitsui pays special attention to the impact of natural resource development projects on the ecosystem. (Mitsui & Co., Ltd., 2002, p.2)

### **Kudremukh: a park in a UN biodiversity hotspot and now a World Heritage Site**

It is clear that such a sensitive location as a national park in the Western Ghats should have triggered an automatic review under this policy. While the Western Ghats had already been recognized by the United Nations as a biodiversity hotspot, it has since been added to the UNESCO list of World Heritage Sites. The BBC (2012) stated in its report on the new designation how the lush mountain range faced a “biodiversity crisis” due to the rapidly increasing population in the region. Its importance is described compellingly in UNESCO’s description:

The site’s high montane forest ecosystems influence the Indian monsoon weather pattern. Moderating the tropical climate of the region, the site presents one of the best examples of the monsoon system on the planet. It also has an exceptionally high level of biological diversity and endemism and is recognized as one of the world’s eight ‘hottest hotspots’ of biological diversity. The forests of the site include some of the best representatives of non-equatorial tropical evergreen forests anywhere and are home to at least 325 globally threatened flora, fauna, bird, amphibian, reptile and fish species. (UNESCO, 2012)

In particular, the Western Ghats are home to 17% of the world’s remaining tigers and the source of rivers that are a critical water supply for 245 million people (WWF India,

n.d.). According to Murthy and Seshadri (2011, p.130) Kudremukh National Park has the highest legal protection under the Wildlife (Protection) Act of 1972, and includes the best forests in the region with many species including tiger, elephant, and the largest population in India of the rare lion-tailed macaque. In addition, three rivers originate there, and according to Indian tradition of revering the sources of rivers, prayers are offered every year. One of these, the Nethravathi River, supplies drinking water to the city of Mangalore, and the Tunga and Bhadra Rivers “irrigate thousands of parched farm lands in the states of Karnataka and the neighboring Andhra Pradesh.”

Perhaps from a business point of view, the hopes of the Japanese consortium of obtaining long-term access to the high-quality iron ore from Kudremukh were understandable. Murthy and Seshadri (2011, p. 130) describe how the Japanese MON Group had been involved in the first detailed investigations of the ore deposits in 1965 in cooperation with the National Mineral Development Corporation (NMDC), an Indian government agency. A 30-year mining lease was subsequently granted in 1969 to the NMDC and trial mining operations conducted. The iron ore was for export from the beginning, with financing from the Iranian government. Thus it was that iron ore mining predated the establishment of Kudremukh National Park, which occurred in 1987.

#### **A guaranteed market in Japan for ore from the park**

As I reported at the time, Mitsui clearly regarded the business imperative of maintaining a long-term supply of iron ore as more important than upholding its own published environmental policy, even against the background of the establishment of the National Park and increasingly vociferous protests in India itself (Carter, 2002). There was no question of withdrawing unilaterally on the basis of the environmental policy. Instead, a policy was adopted of waiting for the issue to be resolved in India with a willingness to continue to source iron ore from the park and even to go through with the takeover of KIOCL if circumstances were deemed favorable. All else – the region’s biodiversity hotspot status, and the critical importance of the forested upland as a water source for millions, was subordinate to the need to continue and expand business. The contents of Mitsui’s sacred chalice were obvious.

Thus, the future involvement of Mitsui and the other members of the consortium depended on events in India. When the 30-year mining lease came up for renewal in 1999, Saldhana, Mathai, Rao, and John (2000) describe how KIOCL mounted a “vigorous campaign” for a 20-year renewal. They state that KIOCL exerted “enormous

pressure” to this end, and quote a letter dated March 2000 from the Secretary to the Indian Prime Minister to the Chief Secretary of Karnataka State Government. This letter asks the State Government not only to extend the existing mining lease for 20 years but to “expeditiously conclude” the process of finalizing the notified area of Kudremukh National Park, and excluding additional regions to which KIOCL had survey rights from the Park’s final area.

Although the Japanese consortium’s willingness to be a guaranteed market for the iron ore is certain to have added political leverage to KIOCL’s campaign for extending and expanding its mining operations, it was not the only buyer. Murthy and Seshadri (2011, p. 121) describe how KIOCL was mainly export-oriented, and by the early 1990s had become “one of Asia’s largest mining and pelletization complexes”. They state that it “worked at full capacity most of the time and exported products to Japan, China, Taiwan, Indonesia, Italy, Australia, and Iran” in addition to selling to several customers in the Indian market. In the late 1990s the plant had to close for 46 days due to the effects of the East Asian financial crisis, which caused a drop in demand in the important markets of China and Japan. However, it recovered from this and established itself as a “reliable supplier of iron ore concentrates and iron oxide pellets in the international market”, also receiving awards for “energy conservation, rational utilization of natural resources, pollution control, environmental conservation, etc.” (p. 121)

### **Opposition in India**

These awards mean from the Japanese consortium’s viewpoint it is likely that KIOCL will have appeared to have been a defensible acquisition from the viewpoint of environmental conservation. However, this was fiercely contested by Indian environmental groups. Bhargav and Jain (2004) describe how legal action by two NGOS, Wildlife First and Legal Action for Wildlife and Environment (LAW-E) led to an order by the Indian Supreme Court for KIOCL to cease open cast mining at Kudremukh by 2005. They question KIOCL’s corporate governance, asking why, since the company knew in advance about the expiration of the mining lease in 1999, it continued to make investments in new facilities at Kudremukh following that date. If Mitsui had ethical concerns about KIOCL’s governance, it did not stop it maintaining a close business relationship with the company throughout this period, for example being reported as in talks to provide technology for a coke oven plant planned by KIOCL in a different part of Karnataka State (Mukherjee, 2001). Regarding the subsequent Supreme

Court order to close KIOCL's mining operations in the park, Bhargav and Jain (2004) go on to say:

The present trends of globalization will see further threats to ecologically fragile areas... The victory is also a powerful message to the corporate world that, for development to continue unhindered, it is imperative that they respect the law of the land and evolve a self-regulatory doctrine steering away from ecologically sensitive landscapes. (Bhargav & Jain, 2004)

While Bhargav and Jain (2004) mainly discuss the trustworthiness of KIOCL's environmental policy, their reference to an increasingly globalized world and the need for self-regulation by companies puts the policies of foreign corporate stakeholders under the microscope. We have seen that Mitsui's environmental policy in 2001 should have automatically raised red flags regarding continuing to purchase iron ore from a national park in a United Nations biodiversity hotspot. However, this did not happen and they maintained their stance as a willing buyer, indicating that the existence of a progressive environmental policy did not mean they could be trusted to implement it. The question now arises of how far their social and environmental policies have advanced since KIOCL's mining operations were halted, and to what extent they can be trusted to implement those policies.

### **The introduction of CSR in Japanese companies**

It was at approximately this time that the concept of "Corporate Social Responsibility" (CSR) was entering Japanese corporate culture. According to Ohmae (2009) discussion of CSR began in 2003 against a background of scandals involving Japanese corporations, and also increased numbers of foreign stakeholders and investors being involved in company operations due to globalization. An important study on how CSR is being implemented by Japanese companies with overseas operations was undertaken by Fukukawa and Teramoto (2009), who also agree that 2003 can be viewed as the starting date for Japanese CSR. They observe that Japanese CSR managers for Japanese multinational companies whom they interviewed tend to answer regarding ethical questions that "it's a given!" and that:

There is clearly a willingness amongst Japanese managers to adopt CSR as part of corporate communication (which they regard as very important), but which might be viewed by an outside observer as a 'bolt-on' exercise. (p. 139)

This comment raises the question that this preference for image over substance may be a wider problem in Japanese corporate culture, and Fukukawa and Teramoto (2009, p. 139) also say that Japanese managers believe that CSR already exists as an intrinsic part of corporate culture. They go on to reflect Ohmae (2009) in pointing out how while a number of scandals in Japan led to increased awareness of the need for corporate responsibility, CSR management was adopted as a response to operations in other countries (p. 140).

Regarding the overall trustworthiness of CSR as it is developing in Japan, Fukukawa and Teramoto (2009, p. 144) leave the question open. They comment that the argument that “CSR practices are simply window dressing and do little actually address the status quo” could be applied to Japanese companies at this time. They say that this is due to the tendency for separate CSR departments to be established as a result of external pressure during their foreign operations. Japanese managers, according to Fukukawa and Teramoto (2009) want to eventually “erase the need for CSR as a term”. They go on to comment on Japanese corporate attitudes to CSR in strong terms:

Like a grain of sand caught in one’s eye it ultimately needs removal. Yet, equally, as an irritant it successfully reminds us what it means to be able to see clearly – what it means to achieve a more ‘global’ mode of transparency and accountability. (p. 144)

### **A transparency issue at Mitsui**

In order to assess how the transparency and accountability of Mitsui has developed, I prepared a detailed questionnaire asking about their viewpoint of what had happened during and since the KIOCL affair. Specifically I asked how this had affected their CSR policy regarding the environment. In addition, I asked about their CSR policy on human rights for company employees, if steps were been taken to allow them to spend more time with families and thus be more balanced as humans and able to make pro-active decisions on such critical matters as mining in a national park. This was translated into Japanese with help from a native Japanese faculty member, and sent to Mitsui's CSR department via the company website.

In its reply via email, Mitsui’s CSR department declined to reply to the questionnaire, stating that this was “for fairness” since it receives many university inquiries and therefore has a policy not to answer. Mitsui also added that they did not in fact consider taking over KIOCL in 2001-2002 (personal communication, February 17, 2012). This

tallies with the wait-and-see approach that I reported Mitsui taking at the time (Carter, 2002). The decision by the Indian Supreme Court ordering KIOCL to stop mining operations also stopped further involvement by the Japanese consortium.

I also reported in my original article that one other member of the Japanese consortium, Mitsubishi, had refused to discuss the specific case of KIOCL and Kudremukh National Park, although they were happy to discuss environmental protection policies in general (Carter, 2002). Therefore I did not contact them again for the present research. However, one other consortium member, Nisshoiwai, had in fact granted me an interview at that time although I did not report it in my 2002 article. Thus, to gauge their present perspective I sent the questionnaire to the CSR dept. of Sojitz Inc., which had since taken over Nisshoiwai. On this occasion I sent the questionnaire in English, and followed up with a phone call in Japanese. However, Sojitz Inc. also refused to discuss the case after reading the questionnaire, stating by email that the only information about their CSR policy that they could disclose was on their website (personal communication, April 6, 2012).

This type of complete refusal to discuss an issue was something I almost never encountered when, working as an environmental journalist, I tried to speak to both sides. For the present research, the companies were aware that I had written about the Kudremukh issue in 2002. While they may have been nervous about unfavorable coverage, the fact that I contacted these major Japanese trading companies as a student of a Japanese university, raises concerns about their commitment to transparency in CSR.

Despite this, Mitsui's Sustainability Report for 2011 (CSR Promotion Committee, Mitsui & Co., Ltd., 2011) appears to be indicative of a serious CSR program in the company. It describes an "Internal Whistleblowing System" designed to improve "transparent and open communication within the Mitsui community" (p. 39). Employees are encouraged to raise concerns about CSR compliance with senior staff and seek their guidance. The whistleblowing channels are in the process of being set up, with guidance being given to Mitsui Group companies on how to do this. The aim is "to allow employees of Group companies to raise concerns without fear of retaliation".

### **Problems with Mitsui's present iron ore sourcing**

Regarding Mitsui's source of iron ore since the shutdown of KIOCL, the report (CSR Promotion Committee, Mitsui & Co., Ltd., 2011, p. 15) says that Mitsui acquired shares in Vale S.A., a Brazil-based multinational company that it describes as being the world's largest supplier of iron ore. Mitsui is described as working on collaborative with Vale in 11 out of its 14 business units and that "human resources exchanges" between the two companies have been ongoing since 2003. It goes on to state that:

We strive through investment like these to secure mineral and metal resources and maintain stable supplies. At the same time, however, we also have expanded into the comprehensive recycling business with an awareness of the need to build a closed-loop economy and are committed to our mission of employing industrial solutions to environmental problems. (p. 15)

Regarding human rights, the report says that Vale S.A. has a strong commitment to both respecting human rights and also to "help improve the living environment for people near its operations" (p. 15). It says that Vale has paid particular attention to respecting Brazil's tribal people and that:

Vale takes responsibility for the environment and carries out initiatives to remove or at least compensate for the effects of its operations on these traditional communities. The company is also engaged in dialogue with the communities, expressing respect for local cultures and diversity... This in turn has created an active and constructive relationship of mutual trust. (p. 16)

However, in 2012 Vale S.A. was reported as having received the Public Eye Award for being the company with the most "contempt for the environment and human rights" in the world. The award, offered annually by NGOs Berne Declaration and Greenpeace Switzerland, was announced at a ceremony timed to coincide with the World Economic Forum in Davos, Switzerland (Chaudhuri, 2012). In their description of Vale's alleged irresponsible behavior for the award, Greenpeace Switzerland and Berne Declaration (2012) state that the company is responsible for "forced displacement of thousands of people in Mozambique" as well as "use of paramilitary agents to repress leaders of traditional peoples in Peru". In addition, they cite Vale's role in the Belo Monte Dam Complex, a project that they say will result in forced displacement of 40,000 people

who were not consulted and will not receive adequate compensation. Vale's positive public image is ascribed to "extremely well-financed propaganda campaigns in the mainstream media".

## **Discussion**

The existence of such a stark gap between Mitsui's perception of its CSR performance in cooperation with its business partners, and that of major NGOs, is not a positive indicator of trust. Mitsui chose to highlight Vale S.A. as an example of excellent practice in environmental protection and human rights, while Berne Declaration and Greenpeace Switzerland cited it as the worst in the world. In addition, Mitsui has adopted a hardline policy of non-cooperation with inquiries from university researchers, which makes it difficult to understand developments.

How can trust be established in such circumstances? As Fukukawa and Teramoto (2009) point out, transparency must be a key component of CSR policies. The chalice must be made of glass so that all stakeholders can see what the contents are. While the Internet has afforded companies the chance to make selected information accessible to the public, it is also necessary to have a policy of responding to questions on difficult matters. Both companies involved in the KIOCL affair, Mitsui and Sojitz Inc., declined to answer for the present research and their websites do not have information on what happened.

For the time being, the future of Kudremukh National Park, located as it is in the newly designated World Heritage Site of the Western Ghats, appears safe. In a news report, The Hindu (2011) stated that KIOCL was considering starting an ecotourism venture based at the old Kudremukh mining town. However, the report quotes a representative of Wildlife First, the NGO responsible for the court action that ended mining, as saying that the park had been "extensively damaged" by mining and needed 20 years to recover before tourism could be considered. I hope to visit it at that time.

Despite the continuing problems of transparency in CSR implementation, Noriko Shimizu of Friends of the Earth Japan told me in a phone interview that the NGO has no active campaigns against Japanese companies overseas (personal communication, June 2, 2011). Instead, the focus of their campaigning has switched to Overseas Development Assistance (ODA) from the Japanese government. Therefore, to understand better the situation regarding social and environmental responsibility in the economic activities of this powerful country abroad, in the next chapter I will examine a major Japanese



government loan which is also in India, in the state of Orissa.

## **Chapter Five: Japanese ODA and the Orissa Forestry Sector Development Project Loan in India**

### **Introduction: Of civil war and World Bank policies**

Sometimes it is the case that war can go on for so long that the world forgets it is happening. The states of Bihar, Jharkhand, Orissa (also known as Odisha) and Chhattisgarh in eastern India are such a place, being part of what has come to be known as the “Red Corridor” which is the site of the world’s longest and most intractable armed conflicts, the Maoist insurgency which is related to dispossession of forest-dwelling people by development activities. The region is also considered the “tribal belt” as many of India’s nearly 100 million Adivasis, as the tribal people are known, live there, and they tend to bear the brunt of such activities.

I have traveled several times to Jharkhand State which adjoins Orissa to the north, writing about the threat to wildlife corridors from new opencast coal mines to provide the energy for India’s rapidly expanding economy. On my last journey there in 2006, I could tell that things had changed and not for the better. A police official’s house in the town of Hazaribagh which I had passed on my way to visit a local NGO on each of my previous visits now had armed guards behind sandbags outside it. Although on my first journey in 1997, I had been able to travel relatively freely in the countryside and coal mining areas, this time was not so easy and I was advised by local people that it was now too dangerous. Despite this, I was able to report on how the Forest Department was making progress on restoring wildlife corridors important for elephant and tiger, and was impressed with their expertise in management of the dry deciduous tropical jungle characteristic of the region (Carter, 2007).



Fig. 3: Location of Orissa in India

Source: Wikipedia

However, against the tense background of the insurgency there are significant problems of trust and the fact that I spoke to the Forest Department and wrote positively about their activities raised a certain amount of suspicion among tribal rights activists. This is due to the Forest Department being seen as an instrument of a government that was in turn an instrument of policies directed by the World Bank. Thus, when I came to know of the harshly critical attitude of a Tokyo NGO regarding a large loan made to the Forest Department of the neighboring province of Orissa, I was immediately cognizant of the clash of values and the stark differences of viewpoint regarding what is sacred that were immediately brought into focus. On my first journey to the region, I had written about a poor man, a forest-dweller, whose prize water buffalo had been taken by a tiger. I asked him if he felt angry towards the tiger, and he replied that he could not as he considered the tiger to be a god. In the same article I showed how environmental impact studies commissioned by the World Bank had falsely classified forest as “degraded” and okay for mining to take place. In fact it was important as tiger corridor connecting to one of India’s Project Tiger reserves, and local Adivasis I interviewed had seen tigers, including one with cubs, recently (Carter, 1997).

In this regard, with such a difference in the chalices of what is sacred, with one viewpoint seeing forest animals as gods and another viewpoint seeing the forest as simply a land area to be monetized, the Japanese Bank of International Cooperation (JBIC) loan to the Orissa Forest Department is worth studying. As we shall see, Japanese ODA policy has tended to align with the World Bank, and in this region there is the very real possibility of inflaming a civil war. First, let us look more closely at the Maoist insurgency.

### **The Maoist insurgency and World Bank policy**

The insurgency is an example of where the prejudice of traditional economics in literally excluding societies outside of the monetary system as “in poverty” even when they are sustaining themselves in their traditional way, has combined with societal prejudice to complicate and worsen the situation. It has been described by Prime Minister Manmohan Singh as the “greatest threat” to India’s national security (Times of Bombay, 2010). The war is described by the Canadian NGO Project Ploughshares (2011) as having killed over 6,000 people in the last 20 years, with between 500 and 600 killed in 2010. They state that as of 2004,

Naxalite fighting had spread to most of rural India, with significant conflicts in Madhya Pradesh, Maharashtra, Chhattisgarh, Orissa, Jharkhand, West Bengal and Bihar. In large parts of rural India, the rebels formed a parallel government, including a parallel justice system and taxation. (Project Ploughshares, 2011)

In 2007, the conflict dramatically worsened with a series of high-profile incidents such as one where 55 police were killed in an attack by Maoists in Chhattisgarh State (Ramesh, 2007).

The Maoist insurgents are often referred to as “Naxalites”, referring to a town in the state of West Bengal where the movement was founded in 1967. The connection between the Naxal movement and World Bank-inspired policies implemented by the former chief minister of the state of Andhra Pradesh N. Chandrababu Naidu, was described by Kujur (2006) of the Institute for Peace and Conflict Studies, a New Delhi think tank, as follows:

Chandrababu Naidu in his blind obsession with the World Bank model of development, failed to understand the ground situation in Andhra Pradesh which resulted in large-scale suicides of farmers suffering from extreme distress. This provided the Naxals with favorable conditions to consolidate and expand their movement. (Kujur, 2006)

This perception that World Bank policies are responsible for causing hardship to India’s poor is used by Maoists fighting the government to justify their violent campaign. In a news article on plans to unify insurgent splinter groups, Naxalite leader Kanu Sanyal was reported as saying that armed struggle was the only way to counter the “anti-people

policies of the government”. He further said that “the Naxal parties will in particular target the central and state governments for promoting the policies of the World Bank and for pandering to multinational corporations” (Jafri, 2004).

In light of this, let us look more carefully at the rationale for Japanese ODA and its connection to World Bank policies.

### **Japanese ODA in Asia**

In their study to try and understand Japan’s motivations in giving foreign aid in Asia, Tuman and Strand (2006, p. 61) found that decisions are influenced mainly by domestic economic considerations in Japan, with poverty levels in the country receiving the aid also being a factor. However, they also comment that there is also “no effect for democracy or human rights” (p. 61) and more pointedly that, while poverty alleviation is definitely one major purpose of ODA, “the presence of human rights abuses would appear to have little effect on Japan’s aid program in Asia” (p. 74). Tuman and Strand (2006) describe Japan as one of the world’s largest ODA donor nations, focusing 60 percent of its efforts in Asia, and point out that other scholars also believe that the targeting of the ODA reflects “the predominance of Japan’s mercantilist interests” (p. 62).

In an analysis of the developing economic relationship between Japan and India, Ghosh (2008) explains that Japan is placing increasing strategic emphasis on developing ties in the first decade of the 21<sup>st</sup> century. As of 2006, India had in fact “replaced China as the largest recipient of Japanese ODA”, receiving \$1.04 billion in that year and Ghosh goes on to comment that there is a need to reduce India’s reliance on this flow of ODA and move it more towards foreign direct investment (FDI), given that FDI from Japan is presently low. At present, the range of products traded is low, mainly “gems, jewelry, iron, manganese ore, and marine products” being exported to Japan and “machinery, transport equipment, and iron and steel products” being imported to India.

### **The 2003 Japanese ODA Charter and World Bank policy**

The establishment of the new Japanese ODA Charter (Ministry of Foreign Affairs Economic Co-operation Bureau, 2003) was a key formulation of policy for aid. At the time, JBIC and the Japan International Cooperation Agency (JICA) administered separated ODA programs, although in 2008 they were to merge in order to streamline operations. The ODA Charter names poverty reduction as a priority issue, and is clear

on the desired method of achieving it:

... sustainable economic growth, increase in employment, and improvement in the quality of life are indispensable for realizing poverty reduction and Japan places importance on providing assistance for these issues accordingly. (Ministry of Foreign Affairs Economic Co-operation Bureau, 2003)

In this hardline statement of placing priority on “sustainable economic growth”, which is normally defined as increasing a country’s GDP, Japan allied itself to the controversial neoliberal economic policies favored by the World Bank. Other policy formulations might have been less problematic such as “sustainability” or even “sustainable development” but in the context of a developing country clearing prioritizing “sustainable economic growth” sets up an inevitable conflict between industrial development, which can include industrial plantation forestry, and environmental protection and human rights. Sunaga (2004) states in a discussion paper written for MOFA that the aim was to move away from the Washington Consensus and also refers to intense internal discussions within MOFA regarding keeping this central tenet of the Washington Consensus and the harsh version of neoclassical economics championed by the World Bank, namely the prioritization of economic growth above all else. In the end, the Washington Consensus viewpoint took precedence.

With this decision it was perhaps predictable that the state of Orissa would be a target of Japanese ODA as Orissa has been the site of some of the most excessive implementation of World Bank driven policies in India. Media reports in India stated that the project was strongly opposed by Indian tribal rights groups (Press Trust of India, 2006). The Japan Center for a Sustainable Environment and Society (JACSES), a Tokyo-based NGO, also noted that:

The Orissa Forestry Sector Development Project under feasibility study by JBIC for financing does not have the people’s approval and many local people are against this project. Neither is the inhabitants being provided sufficient information about the project nor are they being consulted. (JACSES, 2005)

The state of Orissa has been the target of both an aggressive economic development campaign and the site of equally aggressive Naxalite activity. Kujur (2005) describes how:

... Orissa is one of the poorest states in the country. Ironically, the under developed, Naxal infested western and southern belts of Orissa are the storehouse of most mines and mineral deposits in the state. (Kujur, 2005)

Kujur also identifies how areas with large amounts of mining resources also tend to be tribal districts, and that the mines “do not contribute to growth, other than pollution and the mining mafia”. He also singles out the “cruel reality of the ill thought-out development strategy in resettlement operations in Orissa”. Tribal people are often forcibly resettled to make way for new mines, and Kujur is clear that the large numbers of marginalized people are the reason for the continuing Naxal movement.

In their seminal work on tribal people and aluminum mining in Orissa, Padel and Das (2010) describe how World Bank policy has influenced foreign aid by Britain’s DFID. They explain that although the aid is ostensibly aimed at poverty reduction,

Much less transparent are the neoliberal reforms of administration, finance, electricity and water, in effect preparing Odisha for the new wave of industrialization. (Padel & Das, 2010, p. 443)

They explain how tribal people have suffered from not only poverty but frequently also starvation due to systematic disenfranchisement exploitation that may in fact have worsened under foreign aid regimes (pp. 420 – 433).

To understand the reason for the problems, it is necessary to review the World Bank’s stated rationale for involvement. The website for the World Bank’s Orissa Socio-Economic Development Loan and Credit Project, states that:

The objective... is to support the continued implementation of structural, fiscal and administrative reforms, needed to boost inclusive economic growth and to achieve rapid poverty reduction over the medium term. Consistent with the Country Assistance Strategy (CAS) objectives, the project supports measures to boost rapid, and shared economic growth in one of the most under-developed states of India... (The World Bank Group, 2006)

While the stated aim of poverty reduction is laudable, it is clear from the analysis by Kujur (2005) that what has in fact occurred is rapid development of the mining sector in

particular. The large numbers of displaced and dispossessed tribal people then support the violent Maoist insurgency. If they were in some ways impoverished before, they are far worse off as a result of the World Bank-led development project.

However, in the World Bank's own assessment of the results of its intervention, neither the displaced tribal people nor the insurgency exist. In an article published by the World Bank Institute (Lee, Churamani, & Humme, 2008), Orissa is said to have transformed from a "lagging state" to a "rapidly developing, forward-looking state" whose "natural resource base is one of its biggest assets". In short, the World Bank's aim has been to facilitate the rapid expansion of mining operations in particular and ignore the inevitable tragic results for tribal people. While the article states that economic growth is needed to reduce poverty, no measures are given to show that this has occurred. The only figure offered is of economic growth, which is said to have increased from 4 percent in the 1990s to 8.5 percent in the previous five years. It is stated that:

The manufacturing sector is growing at 11 percent a year, and a large number of investment projects are underway. In short, Orissa seems to be on the right path. (Lee et al., 2008)

Thus the World Bank makes a positive assessment of the situation in Orissa State, although the insurgency and inequality have continued, and appear to be connected to the kinds of policy that are being promoted. As we shall see, the JICA loan in Orissa is, in line with JICA's policy of supporting World Bank policy, a similar kind of prescription.

### **JBIC's view of the OFSDP loan**

In its Ex-ante Evaluation published at the start of the loan, JBIC (2006) states that its priority is to support Indian government policy of increasing the "forest/tree coverage ratio" in line with, and to achieve sustainable forest management via Joint Forest Management (JFM). Priority is also placed on "investment in employment-generating forestry projects". It notes that there is a "high proportion of scheduled tribes" in the region who depend on the forests, and that:

JBIC's assistance in this project, which promotes the improvement of living standards of impoverished persons together with regeneration of forest, is highly necessary and highly relevant. (JBIC, 2006, p. 1)



There is no mention in the document of the need to consult with civil society, and no mention of the civil unrest that has become a sad feature of news from Odisha in recent years. The outcome targets are in terms of the number of trees planted and the area afforested, and the annual production of forest products is supposed to increase from 8.5 million rupees in 2012-13 to 430 million rupees two years later.

Environmentally, the type of afforestation to be carried out is clear:

In this project, afforestation will be conducted using mainly native species, out of consideration for the ecosystem, and is likely to have minimal adverse impact on the natural environment. (JBIC, 2006, p. 2)

Thus, an important point to check is whether afforestation has been carried out according to the stated policy, or whether pressure to realize the financial goals in terms of forest production leads to monoculture plantations at the expense of forest biodiversity. First, we will examine Joint Forest Management, the forestry policy that the loan aims to promote in Orissa.

### **Joint Forest Management and Eucalyptus plantation**

The development of forestry policy in India since the 1980s has been marked by distrust and protest against top-down policy implementation. There has been controversy related to plantations of eucalyptus, an exotic species native to Australia. A report by Sunder (1996) addresses the perception that eucalyptus plantations tend to dry up and destroy the soil, leaving it unfit for other uses. Sunder observes that water use by eucalyptus varies greatly by species, and that some studies have found the level of well water near eucalyptus plantations decreases until the trees are 6-8 years old, but is unaffected in older plantations. The report also observes that soil nutrient loss occurs when eucalyptus plantations are harvested as nutrients stored in above-ground biomass are removed, but this will occur with any tree species. In addition, allelopathy, the negative effect on nearby understory plants may be overstated. Eucalyptus is useful in India and other countries for shelter belts and agroforestry.

However, Tiwari (2004) refers to protests against monoculture plantations of eucalyptus under India's Social Forestry program. He describes the program, undertaken during India's sixth 5-year plan from 1980-85 in these terms:

Social Forestry was in some ways the state's effort to keep the pressure off

the natural forest resources by creating pools of fodder and timber that would cover the needs of people and also arrest the deterioration of natural forests. Every Indian State took up Social Forestry and engaged in distribution, raising, plantation of seeds and saplings either free of cost or at highly subsidized prices. Large afforestation programs were conceived with trees with rapid growing bio-mass. (p. 20)

Tiwari says that while the program's farm forestry targets were achieved with plantations of species such as eucalyptus, it was less successful in terms of community forestry. India's large tribal population did not tend to participate, and the monoculture plantations were the target of protests. In addition, foreign donors such as the World Bank were suspected of trying to manipulate India's wildlife conservation and forest regeneration policies and promoting a "top-down" approach, against the Social Forestry program's supposed goals. However, despite this, Tiwari also credits the program for initiating unprecedented consultation with communities by the Forest Department before decisions were taken. This included recognition of villagers's subsistence requirements and consultation on species selection (p. 21).

Guldin et al. recognize the need to consider "people's values about forests" in policy formation but also demonstrate an attitude that seems to regard scientists as natural members of a cabal that makes decisions with the policy-makers. They state that:

There is no substitute for scientists and policy-makers having a clear understanding about the value that people place on forests and how they are protected, managed, and used. Researchers who invest effort to become culturally aware and sensitive to alternative value systems and who value the depth of feeling that people have for forests have been more successful in seeing their results influence policy and be implemented on the ground. (p. 9)

This philosophy, where what may be called a tyranny of experts and World Bank-influenced policy-makers made decisions regarding forest use, would seem to explain why such a highly controversial program as the large-scale eucalyptus planting was implemented despite widespread opposition. It also demonstrates the danger of having policy closely connected to the dictates of such multilateral institutions, as the purpose of the eucalyptus planting was to generate a rapid cash flow. Other considerations such as protection of biodiversity inevitably suffered due to large-scale conversion of forests

to monoculture plantations. To call such a program “Social Forestry” is clearly misleading.

Following the Social Forestry initiative, Tiwari describes how the Joint Forest Management program followed, beginning in 1990. It aimed to give villagers benefits from the afforestation project, in the form of a portion of the sale of trees when they mature and are harvested. He states that:

Joint Forest Management is unprecedented not only in inviting legitimate forestry activities on state-owned forest land, but also in promising a managerial and cash incentive for forest citizens to participate in the management. (p. 22)

Problems included, predictably, a need for “improved communication between foresters and forest citizens” to enable villagers to have a greater say in policy and decision making at the State level. The newly participating groups, consisted of forest citizens via Forest Protection Committees, *panchayats* (traditional Indian village councils), and NGOs. Tiwari comments that how these constituents interpret their roles in day-to-day management is not clear.

Tiwari also observes that similar joint management systems are being set up in many countries, including Australia, Canada, Kenya, the Philippines, Indonesia, Bangladesh, Nepal, Sri Lanka, Thailand, and some areas of west Africa. In terms of sustainable forestry, this is clearly an international policy movement representing a needed break from earlier management practices that had led to devastating deforestation from the boreal zone in the far north to the tropics.

### **The World Bank and JFM in Andhra Pradesh**

Following the JFM attempts of the 1990s, Griffiths, Rebbapragada, and Kalluri (2005) described the World Bank’s new loan initiatives in their independent study of a new World Bank loan in the Indian state of Andhra Pradesh. Using such loans, the World Bank was making yet another attempt to implement community-based forest management, this time marketing them as “Community Forest Management” (CFM) and “Participatory Forest Management” (PFM) projects.

Griffiths et al. (2005) relate how the Bank managed to avert strong opposition to the \$108 million loan by promising that lessons would be learned from the earlier JFM

projects. In particular, the Bank committed that:

- (i.) the project design and resettlement policy would be strengthened to expressly prohibit and safeguard against further forced relocation of forest-dependent families and (ii) families relocated without compensation under the prior JFM project would be properly rehabilitated as a condition of the loan agreement. (Griffiths et al., 2005)

However, Griffiths et al. state that severe problems continued, despite some “stronger procedural safeguards against forced eviction”. The final document dealing with resettlement conditions, released in May 2004, stated that “lands under the previous project were relinquished voluntarily” and that up to half of over 16,000 families affected by the new CFM project are also expected to voluntarily surrender land to the Forest Department. In addition, two years since the loan was implemented, families relocated under the previous JFM project had not been identified or compensated.

In terms of basic human rights, it is difficult to avoid the conclusion that there was little serious attempt to address the matter of forced eviction under the previous JFM project. It seems more accurate to say that the minimum was done to get the agreement of local NGOs so that the loan could be approved and then business continued in much the same way it had under previous loans. Obtaining a new loan was the de facto central point of the project, with community-based forestry as the wording found most convenient to expedite its disbursement. What in fact occurred had little to do with community-based forestry management, unless such injustices perpetrated on forest communities are the technique of choice to manage them.

From the point of view of sustainable forestry, it appears little has changed since the strongly criticized eucalyptus plantations of two decades ago. Griffiths et al. describe how the Andhra Pradesh Forestry Department has been pressurizing and threatening communities and community Forest Protection Committees (FPCs) to force them to enter into contracts with private companies to establish plantations of eucalyptus and teak. Threats included legal action and exclusion from project benefits, which in any case were limited to temporary wage labor. Most of the forestry plans were drawn up by the Forestry Department, with “community forest management” component severely restricted.

Similar issues were highlighted in a JICA study of JFM in Andhra Pradesh (Saito-Jensen, 2008). This study notes that JFM projects supported by foreign donors such as

the World Bank and JICA have been criticized due to problems of limited benefits received by FPCs, which are then unequally divided among individual members of the FPC. There are also negative effects on distribution of benefits between villages. (p. 1). In policy recommendations, the report emphasized a “critical need” to “carefully assess local characteristics and power and accountability relationships”. In particular the Forest Department needs increased “accountability and transparency” towards FPCs on matters such as tree species for plantation, as villager’s opinions tended not to be reflected (p. 49).

Thus, we can see that there are significant concerns surrounding foreign-funded JFM projects in India. A recurring theme is the establishment of monoculture plantations of eucalyptus, which would be counter to JBIC’s stated policy of only using native species if it occurred in the Orissa project. Next, let us take a closer look at the project itself.

### **Description of The Odisha Forestry Sector Development Project**

In its introduction to the project on the OFSDP website, the Odisha Forest Department (2007) explains how Vana Samrakshna Samithi forest protection committees (VSSs) are formed in tribal communities and local NGOs are hired for a 3-year period to provide support. A “community mobilization process” is described as part of “Entry Point Activities” that are expected to garner community interest and involvement in the project. However, after three years, the NGO is expected to withdraw and a local “Field Management Unit” then takes over management of the forest and business activities.

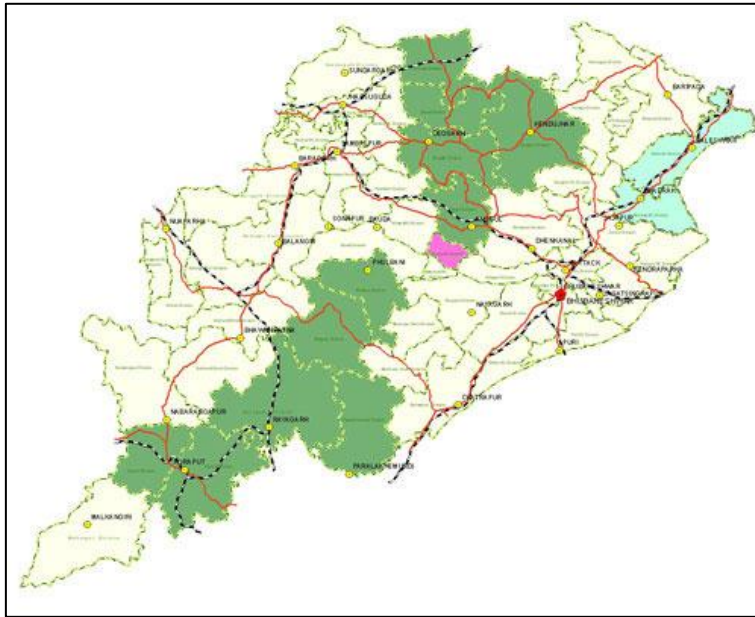


Fig. 4: Forest Districts in Orissa  
Source: OFSDP

In addition, the OFSDP website (Odisha Forest Department, 2007) describes how new VSSs are to be set up and existing VSSs reoriented in order to participate in JFM under the new project. Training and capacity building are seen as vital, aiming to enable them to gain the necessary forest management skills. Each VSS, which has “official recognition and adequate authority to manage their forest, is expected to liaise with the Gram Panchayat, or village council, in dealing with the various government departments.

With regard to forestry, the OFSDP website (Odisha Forest Department, 2007) explains how VSS members will be trained to manage tree nurseries in villages to provide planting stock. Forest improvement is envisaged by planting native species and clearing of dead wood, etc., which is then given to individual members. Degraded forest restoration involves techniques to conserve soil and water, assisted natural regeneration in areas where sufficient tree rootstock make it possible, and also “block plantations” for a variety of purposes, including for fuel and livestock fodder, timber for sale, and other “non-timber forest products”. Setting up of farm forestry model farms is also mentioned where the location is favorable, such as close proximity to urban areas or large roads which would provide a market.

### **Assessing the OFSDP**

As it is hard to grasp the reality of conditions in India without first-hand knowledge, I decided it was necessary to attempt a field assessment, to the extent possible. Therefore

I applied for a grant from the Ritsumeikan Trust to enable me to carry this out, which they agreed to provide. However, when I asked the Indian Embassy in Tokyo for a research visa, they replied that they could only provide this if the Orissa Forest Department gave a letter giving its assent. When I asked Vinod Kumar, the Project Director of the OFSDP, if he would provide a letter, he refused, saying first that he could not do so unless JICA gave a letter asking him to do so. When I pointed out that this was to be an independent study and provided a letter of reference from the university, he again refused, saying that my proposed study was not sufficiently detailed. Thus, I was unable to carry out a field assessment and will attempt to shed light on the situation via published sources and also interviews carried out by phone and email.

According to the Project Status Report for 30<sup>th</sup> June 2012 (Odisha Forest Department, 2012), over 195,000 ha of plantation had been carried out, including multi-purpose “block plantations” and also plantations of teak, a commercial species native to the region. In addition, loans had been extended to over 5,000 self-help groups and training organized to help them develop skills for managing “micro enterprises”. A number of bulk marketing initiatives for forest products ranging from spices such as turmeric to incense and mango jelly had also begun.

In addition to initiatives addressing forest-dwelling villagers’ livelihoods, biodiversity conservation and eco-tourism both feature significantly in the 2012 Status Report. Reflecting recent developments in conservation biology, a wildlife corridor important for elephant was proposed for designation as a “Conservation Reserve”. Eco-tourism plans in a number of villages were in the process of being implemented, with lodges for eco-tourists having been constructed, and a State Eco-tourism policy had also been drafted and submitted to the Odisha State government.

A Mid Term Evaluation that was commissioned by the OFSDP and carried out by Sambhodi Research and Management Institute (2011) states that in areas where artificial natural regeneration was carried out, biodiversity of tree species has increased. In addition, it states that artificial afforestation was carried out with native species such as bamboo, teak and cane and makes no mention of eucalyptus being planted (p. iii). In assessing institutions, the study found nearly 87 percent of households as being involved in planning, which is a very high level. It also reports that:

Well-defined systems for documentation have been evidenced and reported

during the assessment. Transparency in decision-making and financial transparency has been reported as one of the key features of institutional functioning. (Sambhodi Research and Management Institute, 2011, p. iv)

The assessment included interviews with stakeholders including Forestry Department field staff and NGO representatives (p. 6). However, the report does not state which NGOs were contacted and does not report the opinions expressed.

In fact, the positive assessment of the OFSDP in reports commissioned by it, is not shared by a number of major Orissa NGOs. Sahu (2010a) reports how Ma Maninaga Jungle Suraksha Parishad and Orissa Jungle Manch, two state-level NGOs, had “widely protested” the proposed JBIC loan. He quotes Ma Maninaga Jungle Suraksha Parishad as saying:

Neither were communities, the biggest stakeholders, consulted before thinking of external funding for the forestry sector, nor were they taken into consideration in the process by which the project was going to be implemented at the ground level... we condemn the whole process – for the project in non-democratic and non-participatory – and hereby appeal to the larger civil society to support us in keeping our initiatives, unity, and forests, intact. (Ma Maninaga Jungle Suraksha Parishad, quoted in Sahu, 2010a)

This apparent failure to properly consult with local civil society as to whether the loan was desirable from their viewpoint is a serious concern against the background of what is effectively an ongoing civil war.

Odisha activist Mamata Dash commented in a telephone interview (personal communication, March 12, 2012) that the JICA loan period coincided with the Forest Rights Act (FRA) in India, which was introduced in 2006, the same year the loan was finalized, and enacted into law in 2008. Dash points out the contradiction in the state government signing an agreement for a large loan that would strengthen Joint Forest Management as the FRA, which allows for individual land title for forest dwellers, means that JFM is no longer legal.

Dash is also negative about the effect of JFM programs in Odisha, stating that JFM has in fact had a debilitating effect on protection of forests and environment, and the protection of forest-dependent communities. Dash states that:



JFM as a program was brought in to re-emphasize and strengthen the role of the Forest Department, and ensure that the colonial regime continues. That was the whole struggle in the country that we've been having, and in Odisha because there have been a number of development projects in forest areas, the people's resistance movements have been quite vocal about the schemes and programs that Joint Forest Management brought in. (Mamata Dash, personal communication, March 12, 2012)

Dash goes on to say that JFM has been responsible for removing forest-dwelling people from having any role in forest protection, and that "forest department people became the office bearers". In addition, there have been cases where natural forest has been cleared for plantations, which are generally eucalyptus for the pulp and paper industry. Dash also states that where local people had given a list of the preferred species, that the government had repressed their voices in various ways in order to plant eucalyptus, cutting "very rich forest" in some cases.

According to Sahu (2010a), the JBIC forestry loan will be used for plantations, and will also lead to the forest department increasing its control over the forests at the expense of existing community management committees. In particular, according to Sahu (2010a), carbon trading under REDD, which is a major goal of the loan, will lead to the loss of community ownership of forests, although the Forest Rights Act aims to protect community rights. Sahu (2010a) quotes activist Soumitra Gosh as saying that the Indian government "wishes to maintain control over the country's forests", with the REDD money giving the "very strong forest bureaucracy of India" a reason to do so.

There is a striking disconnect between the viewpoint of Sahu (2010a) and JBIC regarding what constitutes community participation. JBIC's Ex-ante report states that:

The project puts into practice Joint Forest Management (JFM) in which local residents form a forest management committee (VSS) and participate in the planning and implementation of afforestation, forest management, and community development. (JBIC, 2006, p. 3)

Sahu (2010b) explains that this means that in communities where a community forest protection committee exists, it is forced to convert into a VSS (Van Shuraksha Samiti) leading to full control being ceded to the Forest Department. Sahu (2010b) cites a case in the tribal village of Bolangir where the Forest Department "siphoned off" the funds intended for the VSS, and later the forest suffered from illegal logging with the Forest

Department doing nothing to stop it. Sahu (2010b) also states that while funding did persuade many “successful CFM initiatives” to convert to VSSs under the Forest Department, there is generally very little benefit for villagers or assistance to manage forests. The result has been an organization of self-funded CFM initiatives in opposition to externally funded JFM. The state federation for this is known as Orissa Jungle Manch (OJM).

Echoing this, Sarap and Sarangi (2009) comment on the inefficiency of JFM institutions, and state that:

CFM groups who have been converted into JFM groups find the VSS institution uncomfortable since it tends to erode the decision-making authority at the community level. It also disregards the traditional knowledge system of the community and instead has introduced a situation where the forest department plays an important part in decision-making relating to forest protection and development including choice of species for plantation. (Sarap & Sarangi, 2009, p. 21)

They go on to say that implementation of the Forest Rights Act of 2006 would solve many problems by giving communities ownership, and this would lead to mixed-species rather than single-species plantations, as well as more value-added forest-based industries and locally based networks for marketing forest products (p. 22).

Thus, weakening and undermining of the FRA is likely to lead to increased marginalization of forest communities, precisely opposite to the stated intention of the JBIC loan. The resulting hostility has ominous overtones in a state which has seen so much violence from the decades-long Maoist insurgency.

Commenting by email, Orissa activist Biswajit Mohanty, Secretary of the Wildlife Society of Orissa, said:

As evaluators for the project, they have employed retired forest officers of the same Orissa government, who obviously shall never criticize by giving a true report of the ground situation... Biodiversity has been the biggest casualty as monoculture plantations were taken up of eucalyptus, teak, etc. Mixed degraded forests which should have been protected for regeneration were foolishly hacked down to make way for these monocultures. (Personal communication, September 6, 2012)

Mohanty also expressed concern that bribes may have been paid to get projects sanctioned under the OFSDP and that there was a lack of a mechanism to check whether work had been billed more than once. He said that similar field projects were under execution under other schemes like the Compensatory Afforestation Fund Management and Planning Authority (CAMPA), Compensatory Afforestation Scheme, Finance Commission funds, and National Rural Employment Guarantee Act (NREGA) funds.

In response, Vinod Kumar, the OFSDP director, said by email (Personal communication, September 11, 2012) that he was unable to comment on reports of eucalyptus being planted or on mechanisms in place to prevent corruption. On the subject of how revenue generated under REDD would be distributed, he said that this could be answered

... only when the Government of India communicates the operational guidelines of REDD. For the JFM area in Orissa, benefit sharing of 50% of final harvest of forest production and 100% sharing of intermediary productions in favor of the community is presently in vogue in government policy resolutions. (Personal communication, September 11, 2012)

Kumar also said by email that an open-house meeting had been held in early 2006 in Bhubaneswar, the capital of Orissa, to address concerns raised by NGOs from Japan and Orissa. He said that the concerns had been addressed and no longer were an issue. He said that the NGOs were basing their concerns on the past “without updating themselves with developments” of the OFSDP. Regarding concerns about the Forest Rights Act and eucalyptus plantations, he said that the OFSDP has “no issues” in either case (Personal communication, September 10, 2012).

## **Discussion**

While this review has been carried out under less than optimum conditions given the refusal of the OFSDP to sanction it as an independent study by a Japanese university of a Japanese loan, nonetheless it can be seen that there is divided opinion about the existence of eucalyptus plantations. With independent commentators clearly saying that they exist and are causing harm to biodiversity, and the OFSDP and also the study commissioned by the OFSDP saying otherwise, this matter must clearly be taken up as a matter of urgency by JICA to see if its own guidelines have been broken.

There is a great difference in the contents of the sacred chalices of the tribal societies of

India whose values are rooted in the natural world, and those who measure the value of a forest by the amount of financial gain that can be made from it each year. While it is positive that issues such as biodiversity and improving the living conditions of forest-dwelling communities are stated as aims for the project, there are questions about whether implementation has been done in a way that assures trust from the respective stakeholders. To this end, transparency must mean not only holding token meetings with NGOs at the beginning of the project, but allowing policy to be influenced by them and maintaining close involvement throughout.. If, as was the case here, there is a strong groundswell of opinion against the loan, then JICA should be prepared to consider cancelling it or at least allowing its terms to be modified. This is particularly the case in a situation with an ongoing insurgency whose causes are closely tied to discrimination and disenfranchisement of the very forest-dwelling people the loan was ostensibly meant to help.

The reluctance to move towards better transparency is rooted in tension between progressive ideals in the Japanese ODA Charter and the tendency to continue to operate according to the World Bank's preferred *modus operandi*. For this loan, the older way of doing things has taken precedence, and consequently the main tribal rights groups have been alienated and serious questions raised about the effects of the project on the health of the forest ecosystem. To satisfactorily address the causes of this tension, it is necessary to look at the basic aims of modern economic policy, which are normally mirrored in the purposes of development assistance.

In the next chapter, I will review whether social responsibility in Japanese corporate and ODA activities in other countries can indeed be said to have leapfrogged the rest of the world. In addition, I will examine an emerging paradigm in economics and see if it might offer a way for trust to be established.

## **Chapter Six: Detoxifying the Chalice**

### **The road thus far**

It is now the late summer of 2012, a year and a half since I began this text with a question to ask: Has Japanese practice in social responsibility for its overseas corporate and development aid activities improved to the extent that it can be seen as a model for the world to follow? Then, as now, the natural world forms a backdrop, with cicadas chirruping loudly in the trees outside my window. For me, the delight of living is in these small things, and the fear of what stands to be lost in this time of anthropogenic mass extinction of species is a motivation for asking such questions. Let us study whether the question can be satisfactorily answered.

Certainly, the asking of such a question needs little justification given the country's domestic environmental progress since the 1970s, "leapfrogging" to become a world leader. However, while we have seen that Japan deserves credit for making dramatic progress in cleaning up industrial pollution in its home islands, it is equally clear that it was a bitterly contested process. In the four major pollution cases examined, it took locally based movements many years to effect change. However, despite this, environmental conservation in Japan has advanced on a similar timescale to industrialized Western nations, and Shozo Tanaka can certainly be regarded as one of the world's earliest environmental activists with his work on the Ashio copper smelter.

This progress was realized following the "Pollution Diet" of 1970 when the Japanese national assembly, the Diet, passed new laws in response to the Minamata disaster and other ongoing environmental crises. The present cleaner condition of the Seto Inland Sea and air in Japan's major cities is due to effective implementation of those laws, which can be said to have been successful. Still, with regard to Japanese corporate and ODA activities abroad, the situation is less clear-cut.

The Canadian subsidiary of Daishowa-Marubeni Inc. was forthright and candid about its past and the controversial lawsuit against the Friends of the Lubicon. Transparency was not an issue there, and in fact I was unable to obtain a response from the Friends of the Lubicon or the Lubicon Cree themselves. Serious lessons from this bitter

confrontation arising from the hubris and flamboyance of a corporate mogul of the Japanese “bubble economy” era appear to have been learned. Although the Canadian Boreal Forest Agreement (CBFA) is not supported by Canadian First Nations, the fact that DMI is participating in it with major environmental groups shows it is no longer pursuing a policy of destroying its opponents in the courtroom.

However, regarding the present CSR policies of Mitsui & Co. following their participation in an attempt to secure a stable supply of iron ore from Kudremukh National Park in the new World Heritage Site of the Western Ghats of India, it is not possible to give such a positive assessment. The company refused to respond to my inquiries, and does not appear to regard such responses as important. Mitsui has a CSR policy and publishes an annual report, but the partner company that it chose to highlight as an example of excellent practice and human rights was also the one chosen by the Berne Declaration and Greenpeace Switzerland as the worst company in the world in 2011. It appears that Mitsui’s policy at this time still emphasizes stable supplies of resources above human rights and environmental concerns. In that regard, little has changed since I interviewed Mitsui’s representatives in 2001, except that I can no longer get an interview.

The case of the Japanese ODA loan in the state of Odisha is more difficult to assess. Japan cannot be said to benefit from trade in this area, and there is no reason to assume that the stated motives in giving the loan were insincere, namely poverty reduction. What seems to have been the case is that the loan was made without due consideration for conditions in the region, which is being torn apart by an ongoing civil war. JICA was too willing to listen to the Odisha state government and dismiss the concerns of both local and Japanese NGOs. Thus, the Japanese have come to be seen as supporting one side in the intractable conflict, with the money as a destabilizing influence. In addition, my experience mirrors that of local activists who found the Forest Department to be closed and lacking in transparency. With such large amounts of money involved, this represents a considerable point of concern.

What can perhaps be said, is that despite the appearance of CSR departments in Japanese companies since 2003, the basic concepts of CSR remain a toxic ingredient in

their sacred chalice while the drive for economic performance remains supreme. The case of DMI in Canada shows that it is possible for a company to successfully combine economic activity with social and environmental responsibility, and begin to build trust after a bitter confrontation. Trust is not built quickly or easily in such circumstances, but progress has been made. DMI showed in its handling of my inquiries a serious commitment to transparency and a willingness to have the past examined and lessons learned. Its sacred chalice is made of glass, so that it is possible to see clearly what is inside.

Both Mitsui and JICA have much to learn from this example, and it is in the conspicuous lack of commitment to transparency that problems lie. The sacred chalice of both is belief in a world view grounded in neoclassical economics, viewing increased rates of resource consumption as a primary goal. The times have changed to the extent that it is necessary for Mitsui to have a progressive-sounding CSR policy and for JICA to have progressive new ODA guidelines. However, what must be done to successfully implement those policies remains at odds with the core economic philosophy. Thus, the chalice is not made of transparent glass, but of ceramic or metal that is impossible to see through. People are asked to simply take it on trust that the stated policies are being seriously implemented, when the truth is often quite different.

### **Towards a new economy**

The French economist Guy Sorman (2010) has sharply criticized the viewpoint voiced by Tokyo vice-governor Naoki Inose about the desirability of a steady-state economy that does not grow. Inose sees this period of history as the “end of growth” and as potentially a “New Edo Period” for Japan. This refers to the period from the 17<sup>th</sup> to the 19<sup>th</sup> century when Japan was closed to foreigners, and what Inose sees as Japan’s traditions of social harmony and zero economic growth led to a flowering of culture. However, Sorman called this vision of deglobalization a dangerous dream that could lead to Chinese dominance in the region.

In stating this viewpoint that economic growth should be the main goal of a nation’s economic policy, Sorman was expressing a view that continues to be repeated by politicians worldwide. It is the philosophy that underlies the globalized consumer

culture. The fundamental tenets of this philosophy are explained in stark terms in one recent economics textbook, where Mankiw (2008) argues strongly that there is only one measurement of human living standards:

Explaining the large variation in living standards around the world is, in one sense, very easy. As we will see, the explanation can be summarized in a single word – *productivity*. (p.370)

Mankiw goes on to discuss the importance of natural resources to productivity and economic growth. He does not allow a value for natural resources other than this, even such a well-recognized principle as biodiversity. He seems to regard economic growth as the sole indicator of the quality of human life, and also argues that it can continue indefinitely, and that natural resources are not running out (p. 376).

To address this over-simplification of the human condition and its connection to the natural world, clearly a new type of economics is required. In his highly-regarded book on the subject, Korten (2010) explains how the global money economy has become disconnected from the real economy of goods and services. He explains how money is created when banks make loans, and continual economic expansion and attendant GDP growth is then required to create demand for more loans to create money to pay the interest. The consequence of failing to continue to increase GDP is that loans become unpaid and the economy suffers severe consequences (p. 96).

Korten also sets out the environmental consequences of this situation:

Given Earth's material limits and the amount of debt already in play, there is no way that the productive economy can expand at sufficient rate to keep the game going. The necessary growth in debt must therefore come from the casino economy and its seemingly limitless ability to create phantom wealth by pumping up financial asset bubbles and loan pyramids – the ultimate Ponzi scheme. (Korten, 2010, p. 97)

To address this situation, Korten proposes increased use of non-financial indicators to show the state of economic, social and environmental well-being, replacing financial indicators such as GDP. He calls for a redesign of the financial system to direct money to "Main Street businesses" rather than "Wall Street speculators". He also does not



support globalization, proposing instead a global network of locally-based economies, and believes that enterprises should be locally-owned by people in the communities affected by their operations (pp. 169 – 185).

## **Discussion**

While the progress made by Japan in cleaning up its home environment is unquestionable, based on these limited studies it is not yet possible to consider the recent advances in social responsibility as world-leading, either for corporations or for ODA. What can be said is that the need for progress in this area has been recognized since 2003 with companies now having CSR departments and better ODA guidelines in place.

However, a culture of transparency has yet to be established and it is more likely that there is to be a repeat of the acrimonious and extended process that led to the improvement of industrial practices in Japan's home islands. Until the basic economic paradigm upon which corporate and ODA policy is based changes significantly, it is likely that tension between stated aims and actual implementation will continue. If companies and ODA recipients continue to adopt policies of frustrating university research as Mitsui and the OFSDP in India both did here, the process is likely to take years if not decades. The contents of the sacred chalice of neoclassical economics cannot be detoxified as things stand. The resistance is too great, from the insistence in Mitsui's policy that the company's purpose is to secure supplies of raw materials for corporate customers in Japan to the insistence on using financial measures of forest productivity as the main indicator of the success of the OFSDP loan.

Korten (2010) says that the world economic order represented by the phantom wealth and elaborate trickery of Wall Street cannot be reformed, and must instead be replaced. Japanese corporations and by JICA must discard their present sacred chalice along with its contents. A new chalice made of transparent glass must instead be filled with a new drink, based on new paradigm of economics that does not see the sole purpose of human existence as increasing a country's GDP. If this can be done, it may be that corporations, governments, civil society and indigenous people can all drink from the same chalice without fear.

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